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WORLD NEWS

Pay rises at BBC 'risk to services'

British Broadcasting Corporation managers believe between £40m and £50m will have to be cut from the annual cost of BBC services within two years to increase pay. Staff yesterday held their ninth one-day strike.

Services such as Radio 1 and network local radio may be put at risk, although a senior management team will look first at ways of reducing staff and improving efficiency. Page 22; Pay key to BBC of the future, Page 5

Docks strike called
Dockers working in over 60 British ports voted by a 3-1 majority in favour of strike action from midnight on Monday. But 300 dockers at Sheerness, Kent, voted not to strike after accepting new terms and conditions drawn up by local management. Page 22

Murder-spot air patrols
Police mounted light aircraft and helicopter patrols over a Pembrokeshire, Wales, coastal path to protect holiday-makers after the shotgun murders of two ramblers.

Warning to hackers
Home Secretary Douglas Hurd warned that computer hacking — unauthorised entry to computer systems — could become an offence after a Law Commission report due in September.

Five more for trial
Five more Belfast men were sent for trial at Belfast Crown Court in connection with the murders of two British soldiers at an IRA funeral last year. Two men were jailed for life last month for the murders.

Three hurt in bomb blast
Three Ulster police officers were badly injured when a bomb left beside the north Antrim coast road near Cushendall blew their vehicle on to the beach.

Extradition barred
The European Court of Human Rights in Strasbourg ruled Britain cannot extradite a man wanted for murder in the US as a possible lengthy wait on death row would involve inhuman and degrading treatment and punishment.

Aylwin to stand in Chile
Chile's 17-party opposition coalition nominated Mr Patricio Aylwin as its unity candidate for December's presidential election. Page 2

China to attend talks
China has agreed to attend the international peace conference on Cambodia to be held in Paris at the end of July. China supports the Khmer Rouge, one of three resistance groups. Page 3

Environment pledge
Swift action by the Government to tackle real threats to the environment was pledged Environment Secretary Nicholas Ridley. But he warned that measures to cut pollution should mean real price increases for consumers. Page 4

Village submerged
Storms caused two ornamental lakes to overflow near Aldermaston, Berkshire, flooding the village with 2m gallons of water. Villagers were evacuated. Power cuts and flash floods hit other parts of southern and central England as storms continued. Thousands of passengers in Essex were stranded after trains were cancelled due to damaged overhead power equipment. Weather, Page 22

McEnroe beaten
John McEnroe lost 7-5 7-6 7-6 to defending champion Stefan Edberg in the Wimbledon semi-finals. The match between Boris Becker and Ivan Lendl was postponed until today.
In the third Cornhill Test at Edgbaston, Australia reached 294-6 in the 15.3 overs possible.

BUSINESS SUMMARY

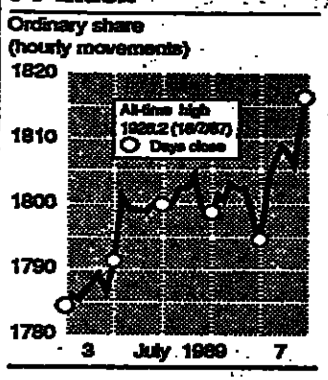
Media groups to merge subsidiaries

MAI, UK financial services and advertising group, and Havas, French advertising and media company, are to merge their media interests into Avenir, a subsidiary of Havas, to create Europe's biggest outdoor advertising company.

The enlarged Avenir group will have an annual turnover of about £600m and estimated pre-tax profits of £40m. It will be owned 51 per cent by Havas, 36 per cent by MAI and 13 per cent by outside shareholders. Page 22 and Lex

UK EQUITIES ended the week in a blaze of glory as economic data from the US took the pressure off short-term interest rates and corporate moves in

FT Index
Ordinary share (hourly movements)



London fuelled takeover speculation. The FT Ordinary climbed 21.9 to 1,816.6 for a gain of 32.1 on the week. London Stock Exchange, Page 15

COFFEE prices fell sharply in London and New York following an announcement from Brazil, world's biggest producer, that it was cutting export prices by 5 per cent, increasing the prospect of a price war following the collapse of the International coffee agreement earlier this week. Page 22

SPAIN unveiled monetary and fiscal restrictions intended to cool the economy, block routes round obligatory bank reserve requirements and stop tax fraud.

US EMPLOYMENT: Non-farm payroll employment rose by 180,000 in June, substantially below expectations. However, the May figure was revised sharply upwards, from 101,000 to 207,000.

NEWGATEWAY, vehicle through which Wasserstein Perella and Great Atlantic and Pacific Tea Company are making their £2.15bn recommended bid for Gateway, launched a market raid on its target's shares taking their holding above 30 per cent. Page 8; Lex, Page 22

ADELAIDE Steamship, principal company in John Spalvins's business empire, has lifted its stake in the Industrial Equity, Australian entrepreneurial group, to 11.6 per cent creating a possible obstacle to a management bid for control. Page 10

FOREIGN CAR sales in Japan rose 37.9 per cent in the first half of this year to 81,319, according to the Japan Automobile Importers' Association. Page 3

ANDERSON Strathclyde, mining equipment subsidiary of Charter Consolidated, is to close one of its Scottish plants and make about 450 people redundant over the next 18 months. Some 90 people are to go immediately. Page 7

KLOECKNER and Co, West German trading house, is to make a payment to holders of its profit participation certificates as compensation for money they lost after Klöckner fell foul of the oil futures market. Page 10

BRITAIN has postponed plans for a big trade fair — British Expo: China 89 — in China in November and called off a planned trip to Peking by leading bankers and industrialists. Page 8

BR seeks urgent talks as tribunal urges 8.8% rise

By Fiona Thompson and Philip Stephens

BRITISH RAIL has asked to meet the rail unions this morning for urgent talks following yesterday's recommendation by arbitrators that BR should increase its 7 per cent pay award to 8.8 per cent.

The move is the first sign of a breakthrough in the dispute which has brought Britain's rail network to a standstill for the past three Wednesdays.

The Railway Staff National Tribunal's recommendation applies to the 30,000 members of TSSA, the white collar rail union which lodged the appeal against BR's imposed pay award. However it is likely that BR will extend any improved offer to the National Union of Railwaymen's 70,000 members and the 17,500 Aslef train drivers.

The tribunal's decision was a clear victory for the union. Mr Ian Buchanan, the chairman, and his two fellow members said the "exceptional productivity performance" of rail workers and the co-operation displayed by TSSA towards restructuring should "properly be reflected in some real improvement in basic rates of pay." Consequently, it was recommending that from April 10, 1989, pay rates should be increased by 8.8 per cent for the staff covered by the reference.

BRITAIN'S PORTS face widespread disruption after the Transport and General Workers Union yesterday called for strike action.

Dockers have voted 3-1 in favour of a strike over the refusal of employers to negotiate a new national agreement covering terms and conditions.

Nearly 300 dockers at Sheerness in Kent voted not to strike, however, after accepting terms and conditions drawn up by local management.
Page 22

The recommendation is not binding on the BR board and BR said last night it would consider the tribunal's finding very carefully. As it has consistently claimed it cannot afford any more than 7 per cent with no strings, it may offer the 8.8 per cent with some productivity strings attached.

The unions would be highly unlikely to accept that. The 8.8 per cent is slightly less then they were looking for but might just be acceptable so long as it was a flat increase.

Mr Jimmy Knapp, general secretary of the NUR, which has so far held three 24-hour strikes, said he did not greet the 8.8 per cent recommendation "with great enthusiasm" but it would not be dismissed out of hand. It was a good thing that BR was ready to get down to real negotiations rather than shadow boxing but before a package was acceptable, the corporation would have to shift its ground on bargaining machinery.

NUR members are striking over pay and BR's intention of scrapping national collective bargaining. Their next strike is scheduled for Wednesday.

Mr Neil Milligan, general secretary of Aslef, which has announced an overtime ban from midnight tomorrow, said the recommendation was "a basis for talks." He hoped to get his executive together at the weekend.

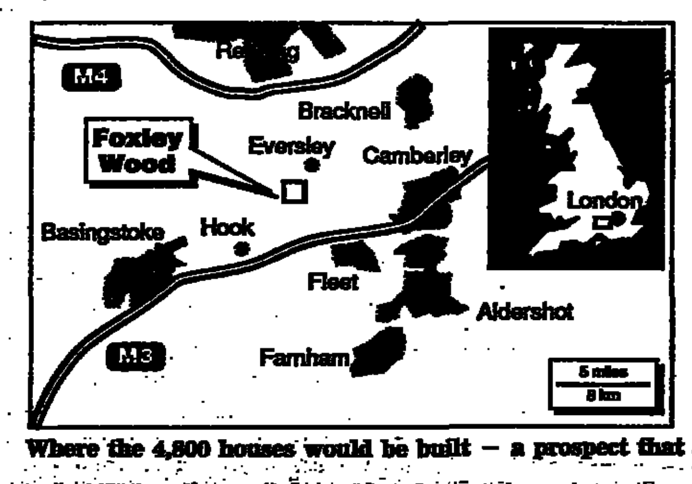
Mr Richard Rosser, TSSA general secretary, said he was quite willing to meet BR at any time, although he thought BR's action in waiting until 5pm last night before calling for today's meeting was "somewhat dramatic." While he would have liked a higher offer, he had no reason to think he would be faced with calls for industrial action on it.

Downing Street yesterday indicated that the Prime Minister's view was that it was up to BR to make a decision on the 8.8 per cent recommendation.

Ministers are said to be hopeful that the award will intensify pressure on the two other rail unions. The view at Westminister is that the offer could be extended to both unions if an agreement can be reached for talks on the industry's negotiating machinery.

Tories attacked over plan for town

By Andrew Taylor, Construction Correspondent



Where the 4,800 houses would be built — a prospect that appals MP Julian Critchley

MINISTERS were under attack last night from Conservative MPs, conservationists and local voters for supporting plans for a new country town in north Hampshire — which a public inquiry inspector said should be rejected.

The move seems likely to embarrass the Government, which is keen to bolster its green image and allay the fears of Tory voters worried about over-development of rural areas in south-east England.

Mr Nicholas Ridley, Environment Secretary, yesterday said he was "minded" to approve plans by Consortium Developments, a group of ten British housebuilders, which wants to build a new town of 4,800 homes called Foxley Wood, at Bramshill near Fleet.

Mr Julian Critchley, Conservative MP for Aldershot, said he was appalled by a move which would only damage the Government's attempts to smarten up its image on conservation issues.

"At the moment we have red rather than green faces," said Mr Critchley.

Mr Critchley said he would seek an adjournment debate on Secretary of State's move. He would also be contacting Sane — a group of about 100 mostly Conservative MPs — which has previously criticised Mr Ridley over planning policies in south-east England.

The Council for the Protection of Rural England said the move would encourage other developers proposing large-scale settlements in rural parts of the south east.

Major-General Bernard Gordon Lennox, the chairman of Spise (Sane Planning in the South East) who lives within four miles of Bramshill, said the move would damage the Conservative vote in Hampshire and other parts of the south east, where people were frightened of over-development and the destruction of local environments.

Conservative MPs from Hampshire recently met Mr Michael Howard, Minister for Planning, to try to persuade him not to overturn the public inquiry inspector's recommendation to reject the Foxley Wood development.

The inspector said the harm the development would inflict on conservation interests, the countryside and highways outweighed the benefits of granting planning permission.

Mr Ridley is believed to be planning to reject two other large housing schemes planned for north Hampshire. These were at Eversley, where Bryant Homes is seeking permission to build 2,500 homes, and at Hook, where Charles Church wants to build 2,000 homes.

Continued on Page 22

Israeli fears over Arab peace plan reinforced by bus crash

By Hugh Carnegy in Jerusalem

MR YITZHAK Cohen, a Jew who came to Israel from Morocco more than 30 years ago, drew his hand across his throat and said: "The Arabs want to kill all the Jews."

His gesture as he cleaned his pastry shop in Jerusalem's Ben Yehuda street before closing for the Sabbath was blunt but probably typified the mixture of hostility, grief and fear evident in Israel yesterday as the country reacted to the death of 14 people killed on Thursday when an Arab Moslem fundamentalist commandeered a bus and steered it into a ravine.

It was a mood which, at a time of intense national debate about peace proposals for ending the Palestinian uprising in the occupied territories, reinforced a deeply-felt Israeli instinct that no risks could be taken in negotiating with the Arabs because the country's very existence is at stake.

In one of several outbursts in Jerusalem yesterday, Mr Shimon Peres, leader of the Labour party and an advocate of peace with the Palestinians, was prevented by angry mourners from speaking at the funeral of one of the crash victims, the wife of a personal friend. He had to be ushered away by police and bodyguards.

There were indications that supporters of the extremist Kach movement led by American-born Rabbi Meir Kahane, who arrived later at the funeral, were involved. About 300 attended a noisy Kach rally and police twice used teargas to disperse the activists.

However, even if such incidents were the work of a small group, Mr Peres knows that the public reaction to the bus incident — the worst of its kind for a decade — puts Labour in an awkward position as it faces a decision on whether to pull out of the present coalition with the hardline Likud party of Mr Yitzhak Shamir, the Prime Minister.

The decision, to be considered by Labour ministers and officials on Monday, was precipitated by Mr Shamir's agreement on Wednesday to attach tough conditions to the Government's peace initiative. Labour members believed these conditions removed the plan's slim chances of success.

At least 17 of Labour's 39 members of parliament, including Mr Moshe Shahal, the energy minister, have called for the party to break up the coalition. Mr Peres has indicated he inclines that way too, but the party will probably stay its hand, as advised by Mr Yitzhak Rabin, the defence minister and pivotal figure in the Government.

They know that this is not a good time to be offering peace to the Palestinians. "Mr Peres does not understand the Arab mentality," said Mr Cohen, the pastry shop owner. "I come from Morocco and I know them. They want Jerusalem, Haifa, Tel Aviv. They want the Jews out. It's in their Koran to kill Jews."

Mr Doron Jonas, owner of an up-market souvenir shop down the street, offered a more considered, but scarcely less hawkish view. A religious Jew, he asserted the historic right of Jews to the land: "They cannot tell us to go out from here."

US bank lowers its prime rate

By Janet Bush in New York

A REGIONAL US bank yesterday cut its prime lending rate to 10.5 per cent from 11 per cent, amid accumulating evidence that the US Federal Reserve has eased monetary conditions.

The move by Southwest Bank of Missouri, in the past one of the first banks to lower its prime rate, is likely to be followed soon by the leading money centre banks.

US bonds and shares rallied strongly after the prime rate move. The dollar, which has fallen sharply in recent days on widespread expectations of lower US interest rates, weakened a little further, particularly against the D-Mark, but then recovered from its lows.

The Fed appears to have engineered easier credit conditions by lowering its target for the Fed Funds rate — the rate at which banks lend to each other overnight — by ¼ point to 9¼ per cent.

Figures for US employment and earnings in June, released yesterday, confirmed that the economy was weakening and that there was scope for a further monetary easing. Job creation has decelerated and upward pressure on wages appears to have dissipated.

Fed Funds yesterday dropped to 9 1/16 per cent from 9½ per cent earlier this week. The Fed hinted strongly on Thursday that it had lowered its Fed Funds target when it decided not to drain liquidity from the money market — a move which would have boosted the already softening Fed Funds rate.

Ms Kathleen Camilli, economist at Drexel Burnham Lambert, said the Federal Open Market Committee, which decides on movements in the Fed Funds rate, probably decided at its meeting last week to err towards even more easing if more evidence of economic weakness emerges in coming weeks.

A key policy determinant will be Friday's report on June producer prices. Some analysts felt money centre banks would wait for these figures before lowering their prime rates.

On the stock market, the Dow Jones Industrial Average stood 25.04 higher at 2,487.48 at mid-day. The dollar fell in New York to DM1.8790 against an earlier high of DM1.8920 and softened to Y139.80 from a peak of Y140.05. In London, it closed at DM1.884 and Y139.75.

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Weekend FT

BACK TO A BLACK FUTURE
South African-born Joe Rogaly returns to the country he left 30 years ago and finds that many things are not quite as he remembers
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Christian Tyler samples life before the mast. Plus: Archaeology, Angling, Food and Cookery
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Sport
John Barrett is at Wimbledon and Teresa McLean muses on cricketers' fielding skills
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MARKETS

STERLING
New York lunchtime:
$1.633
London:
$1.6245 (1.622)
DM3.06 (3.0675)
FFr10.385 (10.3925)
SFr2.6325 (2.63)
Y227 (226)
£ index 92 (91.9)

GOLD
New York: Comex Aug
$385.7
London:
$384.5 (385.5)

N SEA OIL (Argus)
Brent 15-day Aug
$17.7 (17.975)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.8895
FFr6.3535
SFr1.61
Y139.3
London:
DM1.884 (1.891)
FFr6.3925 (6.4075)
SFr1.62 (1.622)
Y139.75 (139.35)
$ index 69.8 (70.0)
Tokyo close: 139.65

US LUNCHTIME RATES
Fed Funds 9 1/16%
3-mo Treasury Bills:
yield: 7.971%
Long Bond: 109 3/32
yield: 8.02%

STOCK INDICES
FT-SE 100:
2,189.1 (+27.9)
FT Ordinary:
1,816.6 (+21.9)
FT-A All Share:
1,122.34 (+1.1%)
FT-A long gilt yield index high coupon:
9.64 (same)
New York lunchtime:
DJ Ind. Av.
2,493.17 (30.73)
Tokyo: Nikkei
33,703.97 (+280.49)

LONDON MONEY
3-month interbank:
closing 13 13/16% (13 3/4)

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Mexico's bank creditors under pressure for deal

By Stephen Fidler, Euromarkets Correspondent

THE CHAIRMEN of most of Mexico's 15 leading creditor banks were meeting yesterday in New York under intense political pressure to reach agreement before next week's Paris summit on a reduction in the country's $100bn debt burden.

Both the US administration and the French government are eager to be able to hold out a success for the new international debt initiative ahead of the summit.

The Mexico deal is regarded as the test case for proposals announced in March by Mr Nicholas Brady, US Treasury Secretary. US banks had fallen in behind the Treasury, agreeing to a debt proposal which includes an option to cut bank debt by an average 35 per cent.

However, French banks, led by Société Générale, have been vigorous in opposition to a deal involving such a deep discount. If this position persisted, it would embarrass President François Mitterrand, who is expected to announce a new debt initiative next week.

Mexico, having dropped its request for discount from the original 55 per cent to 40 per cent, is said to have been advised by the US administration to accept the proposal, if it is made as expected.

The proposals enable banks to choose three options, which taken together will reduce Mexico's debt outflows by just over $2bn. They affect $54bn of medium and long-term bank debt, $38bn of which was lent before 1982:

● Option 1: Swap loans for bonds with a below-par face value. The discount on loans made before 1982 would be 38 per cent, and on those made after 1982, 27 per cent – a weighted average 35 per cent.

● Option 2: Swap loans for bonds at face value with a below market interest rate, which would average 6.25 per cent.

● Option 3: Make new loans. These would be equivalent to 6.25 per cent of a bank's exposure annually over four years, or 8 per cent annually over three years.

Bankers expect the substitute bonds will carry a 30-year maturity, and collateral enough to repay principal and two years of interest.

What will not be known until guidelines from central banks become clearer is what options banks will choose. Most US banks are expected to opt for below-par bonds because their favourable accounting treatment will allow them to avoid write-downs.

As an indication of the priority being assigned the agreement, the chairmen, led by Citicorp chief Mr John Reed, met last Saturday and were in session on Wednesday, Thursday and yesterday.

Solchaga squeezes the banks

By Peter Bruce in Madrid

IF THE Bank of Spain's decision on Thursday to raise its interbank rate nearly one point to 14.5 per cent gave Spain's languid stockbrokers a fright, nothing would have prepared them for what happened yesterday morning.

After two attempts this year to bring the country's runaway economic growth to heel, Mr Carlos Solchaga, the Finance Minister, walked into a press conference after a cabinet meeting with the bit clenched hard between his teeth.

"We still do not observe sufficient indications of a cooling," he said, and proceeded to reel off a list of monetary and fiscal restrictions the like of which Spain has probably not witnessed this decade.

His unmistakeable targets are Spain's commercial and savings banks, which, despite the existence of draconian reserve requirements, have energetically been seeking ways around them, have practically force-fed a consumer boom in the last 18 months, and appear to have been encouraging tax avoidance.

Broadly, the "cooling" measures decided yesterday involve closing off ways around Central Bank liquidity ratios and at the same time *increasing or introducing* new withholding taxes on accounts thus normalised.

Mr Solchaga expects the package to take nearly $5bn in cash out of the economy.

The new measures raise bank liquidity ratios from 18 per cent to 19 per cent, raise withholding taxes on high yielding investment accounts (including those which invest in Letras de Tesoro – Treasury Bills) from 20 per cent to 25 per cent.

They also spell the end of Primas Unicas – single premium life polices in which Spaniards have invested mainly 'black' money worth about $20bn since 1986 – by declaring they are not insurance policies but, for the most part, simple deposit accounts.

Lastly, the measures will stop banks lending to affiliate banks or industrial companies by inviting private depositors to make the loan, thus taking the deposit off the bank's books and so sidestepping reserve requirements.

Mr Solchaga said he hoped to restrict growth in Spain's gross domestic product this year to 4.5 per cent, but all his efforts so far have been laid low by a dramatic rise in consumer credit as Spanish banks have done their utmost to get around liquidity ratios.

Only last month Bankinter, part of the Banco Santander group, was warned to stop encouraging depositors to buy Letras del Tesoro while at the same time promising to buy them back, in order to get its required reserve down.

The banks encourage high net-worth clients to take their money out of a deposit account and lend directly to the *financial or industrial affiliate*. The former depositors are paid commercial interest rates directly by the borrowing affiliate. *Mostly*, interest income is not declared and because their original deposits no longer exist the bank further lowers its reserve obligations. This loophole, the government hopes, was closed yesterday.

The Primas Unicas also came about because the banks were trying to avoid meeting reserve requirements. Most big Spanish banks own insurers, and in 1985 began to advise depositors to buy single premium life policies rather than hold money with the bank itself. Most of this was black money anyway, and the transfer from bank to insurance company kept the money in the bank's group, lowered its reserve requirement, and protected the client from taxes on interest income.

But the insurance companies made a grave mistake: the policies were recorded on computers to which the Treasury, with court backing, is now gradually gaining access.

Commercial banks have also tried another ruse to frustrate the authorities: they are allowed to invest roughly two thirds of their required reserves in low yielding Treasury Notes (Pagares) while the rest earns no interest at all. But the Basque Country offers a higher-yielding note and some banks have tried to place reserves in these instead. The authorities are trying to close this loophole as well.

It is difficult to see what more the government can do, however, without making nonsense of its commitment to scale down, dramatically, the *use of liquidity ratios after 1992* in line with other European Community banks.

The currency is already trading well above the exchange rates at which it entered and leading economists were suggesting yesterday that Mr Solchaga would need to take at least $10bn more out of circulation if he is to slow domestic demand from its current 7 per cent growth to the 4 per cent he says he wants.

Soviet President Mikhail Gorbachev (left) embraces Romanian President Nicolae Ceausescu as he arrives at Bucharest airport for the Warsaw Pact summit

Poland puts forward rescheduling proposals

By Christopher Bobinski in Warsaw

A SET of official Polish suggestions for Western economic and financial support, including a 10-year rescheduling of the country's debts to Western governments, has been presented to Mr François Mitterrand, the French President, and the host of the forthcoming summit of top industrialised nations.

The Poles expect the programme, in the form of a letter from Gen Wojciech Jaruzelski, the Communist Party leader, will come up for discussion at the summit and meanwhile they will be arguing its merits in talks with Mr George Bush, the US President, who is due to arrive in Warsaw tomorrow evening.

Yesterday, meanwhile, Gen Jaruzelski attended a Warsaw Pact summit in Bucharest along with Gen Czeslaw Kiszczak, the Interior Minister, and the presence of both possible candidates for the post of Poland's president suggests that the issue of who should finally stand will be raised in talks with Mr Mikhail Gorbachev, the Kremlin leader.

The general's letter suggests that the Paris Club of Western government creditors, to whom Poland owes 65 per cent of its $39bn debt, agree to a five-year grace period on payments of both interest and capital and looks to the World Bank, which provides some $500m-worth of new loans, to develop the country's food processing and other export sectors.

The debt rescheduling would give Poland a breathing space during which to implement a three-year IMF adjustment programme, which will be accompanied by standby credits worth some $700m annually. Gen Jaruzelski also repeats a suggestion he has already made to Mr Jacques Delors, the president of the European Commission, that the EC open credit lines to enable Poland to import food from Western Europe.

Sudan pact with rebels scrapped

SUDANESE strongman General Omar Hassan al-Bashir said yesterday he had scrapped a peace pact with southern rebels but had asked Ethiopia to mediate between them and his 15-man junta, Reuter reports from Khartoum.

The rebels have been fighting a six-year war in south Sudan but had signed a tentative peace accord last November in Addis Ababa with the Democratic Unionist Party (DUP).

The pact was approved in principle early this year by Sudan's parliament.

Gen Bashir, who seized power a week ago, said he would neither accept conditions from the rebels nor make any himself before peace talks with the Sudan People's Liberation Army (SPLA), headed by former army Colonel John Garang.

Speaking to the official Sudan News Agency (SUNA), Gen Bashir said he wanted to open a new page in relations with neighbouring Ethiopia, often accused by Khartoum of supporting the SPLA.

"We have asked President Mengistu [Haile Mariam] to pave the way for a meeting between a Revolutionary Council delegation and leaders of Garang's movement as part of our endeavour to reach a comprehensive solution to the south Sudan problem," he said.

Gen Bashir, whose coup ended three years of civilian rule under Mahdi, said: "The revolution, in its efforts to solve the [southern] problem, will not accept any conditions and will not make any conditions.

"Each side must formulate its own [peace] scenario and then sit at the table to negotiate every clause and every point," he added in his first detailed remarks on how to end the war.

Brady optimistic on debt plan

By Peter Norman, Economics Correspondent

MR Nicholas Brady, the US Treasury Secretary, yesterday suggested that the debt reduction plan he launched earlier this year could be applied to Venezuela, Costa Rica, Morocco and the Philippines if agreement is reached with Mexico in the near future.

Speaking on a "Worldnet" satellite television news conference from Washington, Mr Brady said he could not predict how far the so-called Brady initiative would go. But it would be "an enormous step" if it resulted in a change of world thinking in favour of reducing debt rather than adding to it.

Mr Brady said he expected next week's economic summit of the seven leading industrial nations in Paris would give an extra impetus to his plan. He made clear that the US would not support alternative ideas put forward by French President François Mitterrand, for a fund of Special Drawing Rights to finance debt reduction.

He was also dismissive of proposals put forward recently by Mr Pierre Bérégovoy, the French Finance Minister, to turn existing co-operation on exchange markets among the seven into a more formal system of "managed floating".

"Let's not change the throttle settings when things are going well," Mr Brady said.

He said there was no need for a more rigid approach to exchange rates or for any "tinkering with success".

Aylwin to stand in Chile poll

By Barbara Durr in Santiago

CHILE'S 17-party opposition coalition nominated Mr Patricio Aylwin (above) as its unity candidate for this December's presidential election on Thursday night. Mr Aylwin, a 70-year-old lawyer and president of the Christian Democratic Party, has been the coalition's chief figure since Gen Augusto Pinochet was defeated in a plebiscite last October.

The coalition's nomination of Mr Aylwin, which was widely expected, was unanimous. However, the unanimity was achieved only after resistance from the Green and Humanist parties – unhappy with the joint opposition electoral list for Congress – was overcome. A final list, taking into account their aspirations to more seats, was to be worked out yesterday.

Mr Aylwin is a grandfatherly, political moderate. Many believe his non-confrontational style is what is required for a transition back to democracy in this still bitterly polarised country.

Opinion polls give Mr Aylwin a solid majority over any right-wing candidate.

East bloc must adapt to change, says Gorbachev

PRESIDENT Mikhail Gorbachev, struggling to unite Moscow's squabbling East bloc allies, urged the Warsaw Pact to adapt to a changing world as the alliance began a summit yesterday, Reuter reports from Bucharest.

The Soviet leader briefed allies gathered in the ornate, mirrored presidential palace on changes going on in Europe and the world, according to Mr Gennady Gerasimov, the Soviet spokesman.

"He said there were changes in the international situation and talked about measures that must be taken to adapt," Mr Gerasimov told reporters.

Diplomats said Mr Gorbachev was expected to use the meeting to discuss the recent US proposal, endorsed by Nato in May, to cut conventional forces in Europe and his own offer, made in Strasbourg on Thursday, of a further unilateral reduction in Soviet short-range nuclear weapons.

The summit, which ends today, is also likely to adopt an ambitious foreign policy statement laying out the seven-nation pact's vision of a world without nuclear or chemical weapons and with sharply reduced armed forces and defence spending.

Ochoa condemned

A Cuban military court sentenced revolutionary hero General Arnaldo Ochoa and three others to death yesterday for involvement in drug trafficking, Reuter reports from Havana.

After deliberating for two days, the tribunal of three-star generals also sentenced 10 other defendants, all army and state security officers, to long prison terms, the state news agency AIN reported.

Yeutter call over China subsidies

By Peter Norman

MR Clayton Yeutter, the US Secretary of Agriculture, yesterday proposed halting subsidised exports of agricultural products to China following the crushing of the pro-democracy movement there.

Speaking on a Worldnet satellite television news conference from Washington, Mr Yeutter said he "would need a lot of persuading" before approving the use of export subsidies for the sale of US farm products to China. He said the European Community should also ask itself whether it should subsidise grain sales to China.

However, Mr Yeutter said the US did not support the idea of an outright embargo on exports to China and disclosed that in recent weeks China had bought US agricultural products. These transactions were all on a commercial basis without subsidy, he added.

Mr Yeutter said the question of export subsidies in Chinese trade could be discussed informally by the leading industrial countries at next week's economic summit meeting in Paris. He did not expect formal discussions on the issue.

EC to probe allegations against VCR maker

By Tim Dickson in Brussels

ALLEGATIONS that a Japanese producer of video cassette recorders is evading EC dumping duties by assembling machines from imported parts at a factory in the UK are to be investigated by the European Commission, it was announced in Brussels yesterday.

The inquiry – following a complaint lodged by the European Association of Consumer Electronics Manufacturers (EACEM) – is being conducted under the EC's rules for curbing so-called screwdriver plants.

The company in question is Orion Electric (UK), whose parent Orion of Japan agreed to pay definitive dumping duties of 13 per cent on imports of its VCRs into the Community as part of a wider action by Brussels against Far Eastern makers at the end of February this year.

The complaint by EACEM, whose members include Philips of the Netherlands and Thomsom of France, alleges that Orion has established an affiliated business in the EC which produces a "similar product" from components made in Japan, that the assembly operations began or substantially increased after the opening of the anti-dumping inquiry into the company's imported products, and that the value of the Japanese manufactured parts used in the EC assembly operation exceeds 50 per cent of the total.

● Mr Choi Ho-Joong, Minister of Foreign Affairs of the Republic of Korea, said yesterday that Korean industry "may co-operate" with the European Community by accepting European standards for high definition television.

However, he added at a press conference in Brussels after "high level" consultations with Mr Frans Andriessen, the EC's External Relations Commissioner, that there was "a great deal to clear up" that Korea had "not yet decided" and was "studying the technical aspects of the Japanese and European alternatives".

Italy plant closed

Italy's Environment Minister has closed a controversial chemical plant belonging to the Montedison group for six months because of pollution risks, Reuter reports from Milan.

A spokesman for Montedison Spa said yesterday that the minister, Mr Giorgio Ruffolo, had not been satisfied by the company's safety guarantees for the Acna plant in Cengio, northern Italy.

Environmentalists have lobbied for more than a year for the permanent closure of the plant, which makes dyes, medicines and pesticides. Extremists in late May also blew up an electricity pylon near the plant.

US employment rises for June

By Anthony Harris in Washington

US non-farm employment rose by 180,000 in June, the Department of Labor announced yesterday. This growth was a little weaker than expected, and led to a 0.1 per cent increase in unemployment to 5.3 per cent; but the employment growth figure for May was revised sharply upwards to 207,000, from the previously announced 108,000, because of late returns from industry.

The figures from the sample survey of households also suggest that the underlying trend may be stronger than the payroll figures suggest.

As a result, the employment growth trend of recent months looks stable at around 200,000 monthly, down from over 300,000 in earlier months. This tends to confirm the hopes expressed by Treasury Secretary Nicholas Brady that the US economy is achieving a soft landing.

The main weaknesses, as in previous months, are in the motor industry, which is experiencing continued weak sales and swollen inventories, and in electronics, depressed by defence cuts and lower computer sales. The main buoyancy is in transport and health care services.

Business services also show some strength; this may reflect a revised tendency for industry to contract out work such as data processing previously done in-house.

The figures for average hours also confirm a gentle slowdown. Average weekly hours in manufacturing edged down to 40.9 hours, the first time the average has fallen below 41 hours since September 1987; but average overtime was unchanged at 3.8 hours.

There was virtually no change in average hourly earnings in the month, bringing the year-on-year increase to 3.8 per cent. This figure is likely to give further reassurance to the Federal Reserve that its monetary restraint has headed off any immediate danger of wage-led inflation.

Austria backed

Italy yesterday pledged to support Austria's planned application to join the 12-nation European Community, Reuter reports from Rome.

A foreign ministry statement issued after talks between Italian Foreign Minister Giulio Andreotti and Austrian Foreign Minister Alois Mock said Mr Andreotti had welcomed Austria's plan.

Menem sets out to restore Argentina's battered credibility

The new president may have to disappoint Peronism's traditional trade union supporters, reports Gary Mead

MR CARLOS SAUL MENEM, Argentina's 46th president, is developing a knack for reversing predictions and expectations.

Exactly one year ago, a flamboyant Mr Menem ended a tough and frequently bitter campaign to win the Peronist Party's nomination as presidential candidate.

On July 9 1988, he beat the odds by defeating Mr Antonio Casiero, who as governor of Buenos Aires province was the odds-on favourite for the nomination. Today, Mr Menem is formally inaugurated as president in one of the country's worst economic tangles this century.

During his presidential campaign Mr Menem made traditional Peronist promises, including a massive salary increase for those 6m trade unionists who voted him into office. But if he keeps to his recent words, they too will find their expectations reversed.

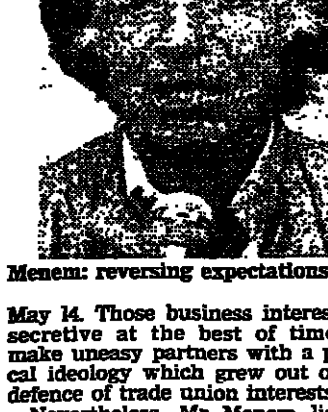
The economic track record of Peronism is on the best of interpretations a disaster. The question hanging over Peronism and Mr Menem is whether either has matured enough to steer the country from the rocks. Inflation at 120 per cent a month, foreign currency reserves below $150m, a collapsed Treasury whose monthly revenues meet only 30 per cent of state spending – those are not rocks but mountains.

Peronism made its name by constructing Argentina's mammoth public sector, with some 500 companies under state management. According to the last available official figures (from 1987) those companies lost $8.5m a day, paid for by the Treasury which has issued more than 30 bonds and printed money to subsidise their inefficiencies. Ironically, Peronism under Mr Menem now looks set to begin burying the mammoth.

If Mr Menem's plans go through, it will be little less than a miracle – but his July 9 victory last year was scarcely anything less, given that he had the whole might of the Peronist Party machine against him. He has repaid that machine by virtually cutting it out of his government, a further contradiction which does little to clarify the current picture of Argentine politics.

Mr Menem has astonished many by appointing Mr Miguel Roig as economy minister. Mr Roig worked until recently as a senior executive for the Brazilian-based multi-national Bunge and Born. Bunge and Born started life in Argentina at the beginning of the century, but has expanded from its original business of grain trading into chemicals, food and construction.

As a symbol of powerful business interests Mr Roig naturally did not vote for Mr Menem as president on May 14. Those business interests – secretive at the best of times – make uneasy partners with a political ideology which grew out of the defence of trade union interests.



Menem: reversing expectations

Nevertheless, Mr Menem lighted upon Mr Roig following advice from Mr Jorge Triaca, head of the plastic workers' union. Mr Triaca will be minister of labour in the new government.

It is yet to be seen if the current uneasy trade union-business alliance will hold together under the pressures which *will inevitably follow if* Mr Roig's ideas are put into practice.

Since being nominated in June, Mr Roig has set about developing an economic plan which, if it takes effect, will be little less than revolutionary in Argentine terms. He proposes to make the Central Bank autonomous and prevent it from any longer subsidising collapsed state-run companies such as the railways – which in 1987 lost $2m every day.

That step, although it may not be introduced before September, is a basic requirement if Argentina is to cut its fiscal deficit and thereby halt the current hyper-inflationary spiral. Failure to attack the fiscal deficit, which is perhaps as much as 15 per cent of official gross domestic product, is the essential cause of Argentina's paralysed relations with the International Monetary Fund (IMF) and other foreign creditors.

But the most shocking news for those who are used to a corporate-style Peronism is that Mr Roig and his team may seriously push for the sale into private ownership of the biggest loss-making state-run companies such as Entel (the telecommunications company), and permit the unhindered entry of private foreign capital into areas of the economy previously heavily protected and reserved for state monopoly.

The implicit promise of wide privatisation *will naturally bring with* it mass unemployment, despite vows to the contrary by Mr Triaca and Mr Roig. Their only hope is that Argentina's huge black economy, in which six out of 10 people are employed to some degree, will be vibrant enough to take up the slack. That slack will turn to strike action – and perhaps worse – to defend itself.

Mr Menem's pragmatism appears likely to extend itself into other important areas of Argentina's political life. People close to Mr Domingo Cavallo, Mr Menem's foreign minister, are convinced that he will push hard for commercial and other relations to be resumed between Britain and Argentina, putting aside for future discussion the issue of sovereignty over the Falkland Islands.

Britain and Argentina went to war over the islands in April 1982 and diplomatic relations and commercial trade between the two countries have been frozen since then. If Mr Cavallo is successful in opening up commercial relations it will be a significant success for Argentina, which has suffered commercially to a greater extent than Britain as a result of the collapse in relations.

However, there are some doubts on the horizon about Mr Menem's government, not least concerning some of the people he has appointed to important posts. It does not help credibility to have as secretary for energy Mr Julio Cesar Araoz, who was sentenced in 1971 to 3½ years in prison for having a large cache of arms and explosives in his Buenos Aires home.

Nor does it seem particularly diplomatic to have as a future roving ambassador Mrs Amalia Lacroze de Fortabat, a wealthy socialite. She recently described Argentina's economic crisis as plunging the country "down the road towards Zimbabwe" which in her view is wrong "because we are educated people, not cannibals".

The essential and long-awaited economic reforms in the hands of non-Peronist Mr Roig are expected to be formally unveiled early next week. Mr Menem has already told the Argentine public that those who in future will not be able to afford to run their cars, must take to riding bicycles.

That very unPeronist remark is the initial step in a psychological campaign to condition Argentines into accepting the gravity of their situation. It is basically the message that Mr Menem has been hearing from people such as the IMF delegation in Buenos Aires this week, which said that for the time being Argentina has to go it alone. Argentina has run out of credit; Mr Menem's task is to establish that it can regain economic credibility.

US asbestos ban

The Environmental Protection Agency said on Thursday it would ban nearly all asbestos products in the US over the next seven years, Reuter reports from Washington.

It said the ban on 94 per cent of US production and imports – mostly from Canada – would apply to new product manufacture, imports and processing.

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OVERSEAS NEWS

Tokyo lukewarm on role for foreign scientists

By Michiyo Nakamoto in Tokyo

AN AGENCY of the Japan's *Ministry* of International Trade and Industry (Miti) appears to be trying to discourage *foreign* scientists from taking part in its programmes, despite explicit government policy to *promote* international co-operation in research and development.

Miti's New Energy Development Organisation (Nedo) is about to invite groups to participate in five R&D projects in new materials and biotechnology. The projects are ostensibly open to participants of all nationalities, but the lack of timely publicity in any language except Japanese suggests a lack of commitment to the government's policy.

"There are some nationalistic feelings at work here," one disgruntled official said.

The projects are to be officially announced in a Miti *publication* in the middle of this month and a press release in Japanese is due to coincide with the *announcement*. Nedo is preparing an English language pamphlet but officials admit this is not likely to be completed until some time next month, which could be too close to the application deadline at the end of August to be of any use.

Nedo admits that information available to foreigners about the projects is extremely limited, but an official suggested this was only natural. "The projects are in Japanese only and it would be difficult if the participants cannot deal with this," he said.

The situation could become a potential source of embarrassment for the Japanese government which is trying to overcome criticism that foreign access to the country's R&D effort has been difficult.

Earlier this week, a government task force charged with studying the role of science and technology in foreign relations recommended that Japan should publish information on new *discoveries* and inventions, particularly those that will help to commercialise new technologies and set up a science and technology co-operation fund to support joint efforts in R&D.

The new Nedo projects will cover the following five themes:
- Application of functional protein complexes;
- Non-linear photonics materials;
- High-performance materials for severe environments;
- Super hyper-sonic transport propulsion systems;
- Underground space development technology.

The first three are to begin in October and the other two later this year. Institutions and individuals can take part.

Tokyo's Carnaby Street for Grannies

Stefan Wagstyl ambles through the exotic, magical, religious suburb of Sugamo

YOU don't *eat* ground snake, you pour it into your tea and drink it. It's good for your circulation, your *stamina* and your *sex life*. It's Y10,000 (£44) for 100 grams.

The snake seller grinned as he picked up a dead adder, cut off a piece and put it in a mincing machine. An old woman bought a small packet of brown powder for Y7,000. "I hope it makes me feel better," she said.

Next to the snake seller there was an acupuncturist at work, and behind him a fortune teller with a wall-sized cosmic map, and other stalls with fried octopus and noodles, toys, clothes, and rice-cakes. Further away was a wig-maker and the only female cobbler I have seen.

Everywhere there were old people. The oldest I met was 92. Thousands of others, most of them women, looked to be in their 60s and 70s. Together they have turned Sugamo, a suburb of Tokyo, into "A Carnaby Street for Grannies", in a loose translation of its Japanese nickname.

Three million come every year, 200,000 at a time on peak days.

There are hollows on the statue where the believers have worn away the stone

They are drawn here by a black stone statue, about four *feet high, which stands in the* grounds of Koganji, a Buddhist temple. This figure of a Buddhist saint is believed to have miraculous powers to cure ailments.

Worshippers buy a small scrubbing brush and stand in line to approach the statue. They then rub the small black figure in any place they are suffering pain. There are hollows on the statue where believers have worn away the stone.

Mr Toshi Yamamoto, a 70-year-old retired butcher, says he has been coming to Sugamo once a month for 10 years. "I think it works. Look at me, don't I look healthy?"

But the real miracle of Sugamo is the way in which a great well of traditional Japanese life flourishes in the middle of Tokyo. Far from being destroyed by modernisation, Sugamo has profited from it. Television and newspapers have spread its fame far *beyond the city. Trains and* buses have made long journeys easy.

The place itself is nondescript – no parks or old wooden houses. Just a narrow shopping street with garish neon signs hanging off pre-fabricated buildings, all evidence of the speed with which Tokyo was rebuilt after the war. Even the temple itself is new, its gardens all gravel and concrete walls. The monks moved here at the end of the 19th century from another part of the city to make way for a railway station.

Filled with people Sugamo comes alive. The temple is at

Television and newspapers have spread its fame far beyond the city

its busiest on three holy days every month, as well as on *Sundays and national holidays*. "This is not a tourists' temple," says Mr Yusho Murakami, one of the monks. "They come here to pray."

They also come to meet, talk, and swap photographs of grandchildren. They come to eat – in countless noodle bars or in McDonald's. And they come to shop. Mrs Saki Koike, who has been selling second-hand kimonos in the temple grounds for 48 years, says her stall is always busy, even on ordinary days. "Maybe it is because I pray before I start work."

Mr Murakami, the monk, declined to say how much *money the temple* earned. He inherited his position from his father and hopes his 5-year-old son will take over one day from him.

Most of the 10 monks and 10 novices also have long-standing family ties with the temple. Others are monks who have come from the countryside, *where the decline of villages* has stripped traditional temples of worshippers and of income.

At Sugamo they are assured of a good living: underneath his black silk robe, Mr Murakami wears a Rolex.

On bright days there are always crowds at Sugamo. When it rains, the old people, like old people everywhere, stay at home.

UK puts off trade fair in China

By Robin Pauley, Asia Editor

BRITAIN has postponed plans for a big trade fair in China in November and called off a planned trip to Peking by leading bankers and industrialists.

The British Expo: China 89 fair and the business delegation were part of plans for a substantial British sales drive in China this autumn. But this would have been the first export drive in China by any nation since the People's Liberation Army brutally suppressed the pro-democracy movement four weeks ago and there was mounting pressure in the British parliament for the missions to be called off.

The Foreign and Commonwealth Office had warned of the risk that Chinese leaders might exploit the sales drive to indicate Western indifference to the fate of the demonstra*tors*.

A spokesman for the Department of Trade and Industry said last night that the Sino-British Trade Council had decided that, since martial law was still in force, the British Expo: China 89 should be postponed until conditions were more appropriate.

"Commercial contacts and trade on a company-by-company basis with the People's *Republic of China will continue*," he added.

A separate privately-organised trade mission by 130 British companies to seven Chinese cities may still go ahead in October although it has been told by the government that no soft loans will now be offered to back up any potential sales.

Sir Trevor Holdsworth, president of the Confederation of British Industry, is now reviewing his decision on whether to lead the mission *organised* by the 48 Group.

Mr Paddy Ashdown, leader of the Democrats, said that if the *officialy sponsored trip* and the trade fair went ahead it would be a slap in the face for both China's democracy movement and the people of Hong Kong. Mr George Foulkes, shadow foreign minister, said Britain must make it clear it could not be business as usual while the repression and killings continued.

Michael Marray reports from Hong Kong: The Hong Kong Association of Banks is to trim the local prime lending rate by half a point to 10.5 per cent from *Monday*, the second cut in three weeks.

Mr Paul Selway-Swift, general manager of the Hongkong Bank and chairman of the Hong Kong Association of Banks, said the move had been prompted mainly by an easing of the local interbank market, with both three- and six-month rates falling recently.

This had given the association an opportunity to trim the prime rate.

The cut will come as a relief to the territory's home owners, who have seen property values fall in the wake of the suppression of the democracy movement in China.

Peking rings alarm bells over state budget deficit

CHINA yesterday rang alarm bells over a gaping state budget deficit aggravated by recent political upheavals, saying it was fuelling inflation and threatening economic reforms, Reuter reports from Peking.

Finance Minister Wang Bingqian, in a gloomy report published by the People's Daily, said government spending in the first five months of 1989 rose by twice as much as revenue, with taxes paid by state firms down 38 per cent over a year earlier.

He called on state firms to show more discipline and efficiency and on private ones to pay their taxes.

Building projects which Peking ordered stopped or cut down continued unabated while administrative expenditure, supposed to rise only 2.5 per cent, increased 24 per cent, Wang went on.

"The *financial situation* is serious," the minister said. "If we do not solve it, it will be *hard to correct* the economy and control inflation and the reforms will be affected."

Back in March, before the weeks of student-led protests against official corruption and lack of basic human rights, which China says badly hit production, Wang predicted a 1989 budget deficit of 7.4bn yuan (£1.3bn) against a 1988 shortfall of 8.049bn yuan.

His latest speech did not include a revised estimate.

Under China's idiosyncratic accounting system, foreign *loans and domestic bonds* are counted as revenue. Using International Monetary Fund standards which exclude them, the projected 1989 deficit was 35bn yuan, up from 34.15bn in 1988.

In an editorial, the Economic Daily said that, in addition to all its economic problems, China had to make up the "enormous losses" caused by weeks of political turmoil it said *had affected the entire* country.

All workers in government and Communist Party organisations have seen their summer holidays abruptly cancelled so that they can devote their energies to making up the losses.

The China Economic News said the central government ran up budget deficits over the last 10 years amounting to 65bn yuan *as its share of the* national wealth fell and that of provincial governments grew.

It said provinces allowed their companies to obtain reductions in taxes paid to Peking provided they dutifully paid local taxes, forcing Peking to take mandatory loans from the provinces which it could not repay.

Communist Party steps up attacks on Zhao

By Lindsay Murdoch in Peking

THE CHINESE Communist Party yesterday stepped up its criticism of Zhao Ziyang, the deposed party chief, accusing him of "conniving" with pro-democracy demonstrators.

In a widening of its crackdown on dissent, the party has also named dozens of prominent intellectuals and several of Zhao's key advisers accused of collaborating with students attempting to overthrow the *government*.

The party attempted in a 25,000-word report published yesterday to make a comprehensive case against Zhao, the most senior figure purged after last month's crackdown on pro-democracy campaigners.

The report, approved by the standing committee of the National People's Congress, said that when other party officials urged Zhao in April to call a crisis meeting of party leaders, he "went golfing as if nothing had happened." It said that because Zhao took an attitude of tolerating and conniving with demonstrations, "the party and the government lost a chance to stop the turmoil."

It stopped short of accusing Zhao of taking part in the alleged anti-government conspiracy. Analysts believe the party is building a criminal case against Zhao, believed to be under house arrest in Peking.

Japanese show growing yen for imported cars

SALES OF foreign-made cars in Japan, which have risen rapidly for the past five years, jumped a further 37.9 per cent in the first half of this year to 81,319, according to the Japan Automobile Importers' Association, *Yuriko Mita* reports from Tokyo.

The strong growth was attri*buted mainly to a reduction in* Japanese taxes on cars. In April, a two-stage reduction in a luxury tax began as part of the transition to a new 3 per cent consumption tax. In addition, relaxation of government regulations in areas that discriminated against imports, such as car insurance, has also helped boost sales.

With the increasing popularity of larger, luxury cars, sales of cars 2,000cc or higher bounded 61 per cent to more than 36,000. Smaller car sales grew 23 per cent to over 44,000.

West *German manufacturers* again claimed the largest share of the import car market with 66.5 per cent. The Volkswagen/Audi group had the highest sales of 22,258, capturing 27.6 per cent of the market.

Bush takes initiative in debt move

By Lionel Barber in Washington

THE US decision to forgive official development loans totalling $1bn to 16 impoverished African countries has "tremendous political significance", a senior State Department official said yesterday.

President George Bush confirmed this week that he would use recent US legislation to forgive official debt owed by sub-Saharan African countries, provided they have World Bank and International Monetary Fund approved programmes in place. The decision will take effect on October 1.

The announcement came as President Bush prepared to leave on his trip to Poland, Hungary and the economic summit in Paris where international debt is certain to be a major topic. US officials were keen to play up the sub-Saharan initiative yesterday, partly because they expect France to come up with its own announcement next week.

The 16 countries affected include Burundi, Gambia, Guinea, Niger and Tanzania. Seven other countries, including Liberia, Ethiopia, and Sudan, will not benefit at this stage because they do not have the necessary structural adjustment programmes in place. Once they do, they will become eligible.

The debt amounts to some $1bn, mostly 30-year development loans made by the US in the 1960s and 1970s. The senior official pointed out that poor African countries needed debt relief to help their economic reform efforts. "They are taking courageous steps which we want to encourage," she said.

Other officials played down the policy significance of debt forgiveness, and said it could not be applied to more developed Latin American countries. "It is something of a departure, but these (African) countries are a special case."

North European countries, including Britain, have taken the lead in debt forgiveness some time ago. Mr Nigel Lawson, Chancellor of the Exchequer, made the Sub-Saharan debt issue something of a personal campaign in international financial circles.

The US provides $500m a year in development aid to African countries, using grants rather than the previous policy of loans. It also provides a further $500m to the region through international lending agencies such as the IMF and World Bank.

Jordan debt group formed

A STEERING committee of Jordan's six leading creditor banks was established in London this week following the country's request for a rescheduling of its foreign bank debt, Our Foreign Staff writes.

The group, led by Gulf International Bank and Standard Chartered, will meet again in August after bank economists visit the country. About 20 per cent of Jordan's $8bn foreign debt is due to banks.

US offers aid for market reforms in Asia

By Peter Ungphakorn in Bandar Seri Begawan, Brunei

MR James Baker, the US Secretary of State, yesterday announced a $18m aid programme for promoting policy reforms that would increase the market orientation of South-East Asian economies.

Described as a Private Investment and Trade Opportunities Programme, the assistance will be provided through the US Agency for International Development, mainly to private sector and academic organisations.

Mr Baker announced the programme during a meeting in Brunei with the Foreign Ministers of the Association of South-East Asian Nations (Asean) – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

US officials want the programme to remove "constraints to market-led growth," such as "lack of information, policy impediments, and limited access to capital." The aid would aim to strengthen institutions such as stock markets and to provide training.

The programme would provide about $3m a year from US funds over a period of six years. Government and private sector bodies in Asean would contribute the equivalent of $3.25m over the same period, US officials say.

Mr Baker said the programme's aim is to enhance market opportunities for US and Asean companies, to encourage trade and investment through trade missions and greater market information, and to create a new Asean Growth Fund.

● Australia has decided to go ahead with plans to host a ministerial meeting on Pacific region economic co-operation in Canberra in November.

Mr Gareth Evans, Australian Foreign and Trade Minister, said the decision was reached after a consensus that the meeting should be held after consultations with the Asean members.

Asean remains wary of the proposal, partly because a clear framework for co-operation has yet to emerge, but some of its members' reservations have been cleared up.

Mr Evans said the November meeting would be exploratory, with the aim of clarifying what kind of framework would be acceptable.

He also indicated that initial *participation might be* restricted to Asean members plus five of the six "dialogue partners" Asean regularly consults – Australia, Canada, Japan, New Zealand and the US – and South Korea, which is about to become a special dialogue partner on economic issues.

The European Community, Asean's sixth dialogue partner, is said to have asked to be an observer, but Australian officials say the request is likely to be rejected.

Although other participants could be invited, Mr Evans indicated China, Hong Kong and Taiwan could be left out at first, to avoid controversy.

US Secretary of State James Baker (left) with Australia's Foreign and Trade Minister Gareth Evans in Brunei yesterday for talks with Asean ministers

China to attend Cambodia peace talks

By Peter Ungphakorn

CHINA HAS agreed to attend the international peace conference on Cambodia planned to begin in Paris at the end of this month, a French Minister announced in Brunei yesterday.

The Chinese decision comes as some relief to the French, who are now more confident that the talks can start on July 30, two months before the September 30 deadline the Vietnamese have set for a unilateral withdrawal of its troops from Cambodia. China supports the Khmer Rouge, one of the three resistance groups.

However, the Paris talks currently appear doomed before they start because Prince Norodom Sihanouk, the resistance leader, said in Peking earlier this week that negotiations with the Pnom Penh government of Hun Sen had "totally collapsed," that there could be no agreement in Paris and that full-scale war was likely in Cambodia after September 30.

Supporters of the coalition opposing the Vietnamese-backed Government of Hun Sen still want to see a UN-sponsored international team in place before September 30 to verify the withdrawal, enforce the ceasefire and supervise the election.

Mrs Edwige Avice, French Vice-Foreign Minister, who announced the Chinese decision, is in Brunei for extensive consultations with Foreign Ministers of the six members of the Association of South East Asian Nations (Asean), who support the resistance coalition led by Prince Sihanouk.

Some members of Asean have told her they would like to see the UN peace-keeping "mechanism" – the term "force" is controversial – agreed on during the July 30 and 31 talks, so that sufficient time is left for the team to be installed.

France has not decided on the full list of participants.

Australia aids crackdown on island rebels

By Chris Sherwell in Sydney

AUSTRALIA is to despatch four Iroquois helicopters to Papua New Guinea for military use against rebel landowners conducting a violent campaign of sabotage against an Australian-operated mine on Bougainville island.

Canberra first agreed to provide the helicopters some months ago, before the serious deterioration in the island's security. As the climate worsened, however, Australia became wary of supplying military equipment.

The delay irritated Port Moresby, which wanted to accelerate delivery, and yesterday's announcement that it would start next week followed exchanges between Mr Bob Hawke, the Australian Prime Minister, and Mr Rabbie Namaliu, his Papua New Guinea counterpart.

Port Moresby declared a state of emergency on the island last week. Reports from Bougainville yesterday suggested that military forces had clashed with the rebels around the rim of the Bougainville Copper mine, which has been closed since May 15.

The 17-year-old copper and gold mine is owned and operated by CRA, the 49 per cent owned affiliate of RTZ of the UK. Its closure has already hurt the company and its customers, but the government is also suffering because the mine is the biggest source of budget revenues after foreign aid.

The rebel landowners are seeking massive compensation for establishment and operation of the mine, and want it closed permanently. They enjoy some sympathetic support from local people who have long sought the island's secession from Papua New Guinea.

Yesterday's development was the second piece of helpful news this week for Mr Namaliu's fragile coalition government. On Tuesday the opposition decided to withdraw a parliamentary motion of no confidence, removing a potential threat to the government's existence.

Mr Namaliu said that Mr Paias Wingti, the opposition leader and former Prime Minister, did not have enough support to win the vote.

Bangladesh presidential term plan

By Reazuddin Ahmed in Dhaka

THE Bangladesh parliament is considering a constitutional amendment which will limit presidential office to a maximum of two terms of five years each. The amendment will apply to President Mohammad Ershad, ending his tenure in October 1995 at the latest.

The changes will also mean the vice-president, now appointed and removed only by the president, will in future be directly elected.

President Ershad confirmed that he would contest the 1991 presidential election if the party nominated him, which is a formality. He also said he was prepared to call the election at any time, provided the opposition parties agreed to participate. He offered to reconstitute the election commission and invite foreign observers to the next election.

Earlier election offers have been rejected by the opposition, which claims there can be no free and fair election under Mr Ershad. The opposition continues to demand his resignation.

The new amendment to the constitution does not give any optimism for an early break in the political stalemate, although some observers think Mr Ershad might hand over power to the elected vice-president and then seek election again, although the chances of this happening seem extremely remote.

There is also some speculation that the present prime minister may be appointed vice-president with the approval of the parliament in the interim period until the next election.

Mines equipment group to make 450 redundant

By James Buxton, Scottish Correspondent

ANDERSON Strathclyde, the mining equipment subsidiary of Charter Consolidated, is to close one of its Scottish plants and make about 450 people redundant over the next 18 months. Some 90 people are to go immediately.

The company plans heavy investment in new equipment and training to improve manufacturing efficiency. It is discussing obtaining financial aid from the Scottish Office, but will not say how big the programme will be. The decisions come after a recent change of senior management at Anderson Strathclyde and a detailed review of its activities.

Mr Alasdair MacLauchlan, chief executive of Anderson Strathclyde, said yesterday that Charter Consolidated, the mining finance group which acquired the Glasgow company in 1983, was determined to improve return on capital employed from about 16 per cent to 25-30 per cent.

The company, which is to be renamed Anderson Group plc, had been hit by the downturn in mining equipment sales, both in Britain and abroad. It barely made an operating profit last year on sales of about £131m, he said.

Anderson exports 40 per cent of its output. Mr MacLauchlan, who recently joined Anderson from Dowty, said they had to cut lead times and "generally bring about a major improvement in customer service."

It is to keep its plants at Bridgeton in Glasgow, Motherwell in Lanarkshire and at Sheffield, but will close its small plant at East Kilbride, near Glasgow, employing only 80 staff.

Some 90 redundancies are to be sought immediately at Motherwell and a total of 450 are likely to lose their jobs in the next 18 months.

However, where and when the cuts will be made depends on market conditions and the success of the productivity drive. Most of the job losses will be at Scottish plants.

The investment programme will involve reorganisation, improvement of tooling and training and extension of cell technology. Anderson is to sell off two specialised manufacturing businesses in its Hoy Division, in Buckinghamshire.

The company is considering the future of its two subsidiaries, Caley, which is performing well in the marine field, and M&C Switchgear, which is depressed, although both are to be kept within the group.

Yesterday's rationalisation is the latest in a series of contractions that Anderson has undergone in the past few years. It has closed a plant at Kirkintilloch near Glasgow and sold one at Glenrothes, Fife, while last May 161 jobs were shed at Bridgeton and Motherwell.

The company's worldwide labour force has fallen from 4,400 in 1982 when it was taken over by Charter Consolidated to about 3,000, of whom 2,200 are in the UK.

Yesterday unions at Anderson said they were "deeply disturbed" by the company announcement and were discussing what action to take.

SFO may not take up Royco inquiry

By David Barchard

THE SERIOUS Fraud Office, the government agency which investigates cases of complex frauds involving large amounts, is believed to have told investigators hunting for evidence of fraud by Royco Investment that it is unwilling to take up the case because only a small number of British investors is involved.

Royco Investment, a group of eight companies which are registered in six countries but run from London, was placed in the hands of the Official Receiver on Wednesday, after an application from the Trade and Industry Department saying its closure was in the public interest.

There is still uncertainty about the amount of investors' money which is missing.

The DTI suggested yesterday the shortfall in funds may be higher than the $24m (£14.8m) previously believed. It says that £4.8m of assets has now been located, against a total of £26m invested in the high yield bonds issued by the group and sold to small investors on the Continent.

Only 15 of 2,800 investors owning Royco Bonds are believed to have been British. Most were West German, although others were Swedish, French, Swiss and South African.

Many of the mysteries surrounding the group are likely to be solved only when Mr Barry Barlow, its leading figure but not a director of its companies, is located. He worked until January from an address in Grosvenor Place, London, but has since been in communication with the Official Receiver and the DTI from a number of foreign addresses.

It is thought he is possibly still in the US, and at a meeting in London on Wednesday between officials who are investigating the case in several different jurisdictions, American officials indicated that his extradition would be sympathetically considered if he is found in the US.

However, it is now feared that Mr Barlow may have gone to Panama, where Henderson Investment, one of the companies in the group, is registered, and that attempts to secure his extradition from there would be hopeless.

Because of the far-flung nature of Royco's operations, investigations and any subsequent legal actions will have to be pursued in at least six countries.

Actions brought so far against offshoots of the group include one in New York and others in France and Jersey.

Mr Denis Dolman, the Official Receiver, is in contact with the Swiss authorities and investigations are also expected to get under way in West Germany.

So far, no one is known to have complained of losing money.

The Royco affair may prove particularly embarrassing for Jersey, where Royco Investment, set up in 1984, was registered. It is one of more than 20,000 companies registered on the island.

A hurried bankruptcy order was issued by the Royal Court at a closed session on May 25, after an application from the UK Official Receiver.

Mr Vernon Tomes, deputy bailiff, who declared the company *en désastre* – the Jersey term for bankrupt – told journalists afterwards that the hearing had been held in camera because the parties had satisfied the court that it was in the public interest.

Choice of chairman surprises Scots Tories

James Buxton examines the party's reactions to the appointment of Michael Forsyth

ANYONE looking for signs of a slackening in the pace of the Thatcher revolution in Britain will have found none in the Prime Minister's appointment this week of Mr Michael Forsyth as chairman of the Scottish Conservative Party.

Her choice of the right-wing Scottish Education and Health Minister, who is only 34, suggests that there will be no weakening of the Thatcherite line north of the border, in spite of the Government's deep unpopularity in Scotland and hints from Mr Malcolm Rifkind, the Scottish Secretary, of a more sensitive and conciliatory attitude.

Mr Bill Hughes, chairman of the CBI in Scotland, was appointed as Mr Forsyth's deputy. He is also on the radical right, but is relatively inexperienced in party politics.

The Scottish Conservatives badly needed a new chairman. Lord Goold, the businessman who presided over the 1987 general election debacle, when the party lost 11 of its 21 seats, had wanted to leave for a long time. He has failed to project the party successfully in the media and his supposed shake-up of party central office in Edinburgh never really took place.

Mr Forsyth's contempt for the disorganisation of central office was ill-concealed. Nor has he hidden his impatience at the lack of combative spirit in much of the party, which contrasts with that of his constituency organisation in Stirling, where he has a majority of only 548.

No one can accuse Mr Forsyth of inertia. In two years he has swung the Scottish education system from being producer-led towards becoming a consumer-oriented organisation, with the impending creation of school boards on which parents will have a majority. Though the move was opposed by almost everybody, it has now been broadly accepted by Labour councils and the teaching unions.

Yet in spite of his lower-middle class Scottish background, Mr Forsyth is still seen as the alien representative of the detested Mrs Thatcher. While the Labour establishment and the trade unions see him as repugnant because of his policies and his readiness to take them on, there are plenty of people in his own party who doubt whether the Thatcherite gospel is the key to the party's recovery in Scotland, where it has only 20 per cent in the opinion polls.

Mr Brian Meek, a leading Tory proponent of devolution (implacably rejected by Mrs Thatcher and Mr Forsyth) who recently became vice-president of the Scottish Conservative and Unionist Association, the constituency wing of the party, said: "I am as surprised to hear of his appointment as many other people will be."

Mr Alick Buchanan-Smith, the former minister who recently abstained in the third reading of Mr Forsyth's bill to allow schools to opt-out, said: "It's an interesting appointment and I wish him well."

Underneath his hard image, Mr Forsyth is affable with a cheeky sense of humour. But he is quick to jump down the throats of people when he disagrees with them. He is an effective performer on television. But it had been thought that the Prime Minister might have chosen as chairman someone more obviously emollient, such as Professor Ross Harper, the energetic solicitor who recently became president of the association and is popular in Scotland.

Mr Rifkind appeared to signal a softer approach at the Tory conference in May when he called for a period of consolidation. That speech would not have led one to think he wanted Mr Forsyth as chairman, though he welcomed the appointment.

Few Tories appear to expect anything but virtual annihilation in Scotland at the next general election. Unless the undoubted effectiveness of Mr Forsyth, plus that of Prof Harper in the constituencies, bring remarkable results, it may fall to him to preside over it.

New Tories in charge: Michael Forsyth (left) and Bill Hughes

Ridley insists consumers fund clean-up

By Philip Stephens, Political Editor

MR NICHOLAS RIDLEY, the Environment Secretary, yesterday pledged the Government to positive and swift action to tackle real threats to the environment but insisted that it would continue to oppose "vapid romanticism."

In a lengthy speech setting out the principles behind the Government's environment policy, Mr Ridley said the guiding philosophy was that measures to reduce pollution should mean real price increases for consumers.

Unless the costs of environmental protection were included in the price of a product, consumers would have no price signals to enable them to adjust their demands for the polluting product.

Higher electricity prices, for example, to pay for programmes to cut emissions from power stations, would reduce the consumers' propensity to use more electricity.

The alternative – paying for expensive pollution control out of general taxation – meant storing up more expensive problems for the future, worsening the economic situation and failing to give people the right signals to cut consumption.

Mr Ridley said at a conference organised by the Conservative Political Centre that the Government should make no apologies for constantly reminding people that cleaning up pollution was expensive.

It was equally determined, however, that resources should not be wasted on anti-pollution measures which were unnecessary. That did not mean that it needed "cast-iron scientific proof" before it took action – indeed it had worked in the past on the "precautionary principle" under which it responded if there was a reasonable likelihood of damage.

However he added: "Where the scientific evidence points in the opposite direction, then we cannot go in for expensive programmes because we are pressurised by ill-informed hysteria."

Mr Ridley acknowledged that the Government was often portrayed as having to be prodded unwillingly to take environmental measures. The truth, he said, was that it was in the lead on the most important questions affecting environmental pollution. It was right to be obstructive where action was unnecessary because "there are too many blind alleys which could take a lot of time and money to get out of."

The Government also had to consider that many new technologies and processes designed to clear up pollution themselves had an environmental cost. Its concept of the "best practicable environmental option" specifically allowed it to weigh up the costs with the benefits of action to deal with each problem.

The questions "yes, but what will it cost, is it fully justified and who will pay?" should be the first to spring to the lips of any environmentalist. If they did not, environmental policy would become simply vapid romanticism.

THE HIGH COURT yesterday refused to overturn a decision by Mr Nicholas Ridley, the Environment Secretary, to allow military training on 800 acres of North Pennines grazing land designated as of outstanding natural beauty.

Mr Justice Nolan ruled that the Environment Secretary's decision, which caused widespread anger among conservationists and local authorities, was legally correct and one which he had been entitled to make – "be it good or bad."

Mr Ridley went against a public inquiry recommendation of July 1986 that the land at Stainmore, Cumbria, should not be used by the Army because of environmental and tourist objections.

The protesters, supported by more than 100 local authorities and environmental protection groups, asked the High Court to rule that Mr Ridley acted unlawfully and unreasonably. But the judge held that Mr Ridley's general approach could not be faulted.

Environment safeguards in water code

By Richard Evans

A CODE of practice for the privatised water authorities, covering conservation of the environment and public access to their land, was issued by the Government yesterday. It follows numerous anxieties expressed by critics of the privatisation legislation in its passage through Parliament.

The environmental impact of privatisation and access to the countryside have been among the most emotive issues surrounding the Water Act, which received the royal assent this week in advance of the flotation of the 10 water authorities in England and Wales in November.

The purpose of the code, announced in a written Commons answer by Mr Michael Howard, environment minister responsible for water, is to calm opponents' fears by ensuring that the best practices now operated in the industry are retained in the private sector.

Mr Howard said the code gave guidance on a range of issues for the new public companies and the National Rivers Authority, which will regulate the industry.

Topics include protection of landscapes, conservation of flora and fauna, protection of ancient monuments and access for ramblers.

Mr Howard said that taken with other aspects of the act, the code would ensure that the privatised companies would maintain and extend the achievements of the public sector authorities in conservation, public access and recreation.

Mercers will sponsor Telford city college

A CITY Technology College is to be sponsored in Telford, West Midlands, by the Mercers' Company, a City of London livery company. The company will give £1m towards the projected £10m capital cost. The college will open on a new site in September 1991.

Changes announced in SIB directorate

By Eric Short

BIG changes in the the directorate of the Securities and Investments Board, the financial services watchdog body, were announced yesterday by Lord Young, Trade and Industry Secretary, and Mr Robin Leigh-Pemberton, Governor of the Bank of England.

Three new non-executive directors are being appointed from the beginning of next month. They are:

● Mr John Gardiner, chairman and chief executive of the Laird Group.

● Mr Norman Lessels, a partner in Chiene and Tait, the Edinburgh chartered accountants, and non-executive chairman of Standard Life Assurance.

● Mr Len Warwick, partner in the independent financial advisory firm Warwick Butchart and immediate past president of the Life Insurance Association.

Mr Gardiner and Mr Lessels are appointed for three years, and Mr Warwick for two years.

The aim is for a board of balanced composition, consisting of executive directors, non-executive directors who are practitioners in the financial services field and independent non-executive directors with wider business or public service experience.

The board's function is general policy direction and approval of the proposals and rules put forward by the technical divisions, with emphasis on the latter function.

Mr Gardiner, a Lex columnist on the Financial Times in the 1960s, is noted for his forthright views on many subjects, including the role and responsibilities of non-executive directors on corporate boards.

Mr Warwick, when president of the LIA, the trade body representing life assurance salesmen, was often an outspoken critic of the SIB's proposals and actions.

He has urged a less complicated and more practical approach to consumer protection.

In particular, he has expressed concern about proposals for the disclosure of life assurance expenses and commissions.

Now, as a board member, he will be involved in formulating and approving the ultimate policy and rules on disclosure.

Four existing directors are retiring at the end of the month – Mr Anthony Alexander, Mr John Clement, Mr Robin Hodgson and Mr William Proudfoot. Three members are being re-appointed, including the deputy chairman, Sir Mark Weinberg.

As a result, the board will comprise 15 directors, one fewer than previously. The SIB's chairman, Mr David Walker, has previously stated his preference for a smaller board.

Sales of gold jewellery up in spite of spending curbs

By David Blackwell

THE GOLD jewellery business continues to enjoy a buoyant year, according to figures for the second quarter from the Assay Offices.

The number of articles submitted for hallmarking was more than 6.35m. Of these, gold articles accounted for 5.28m, a 24.4 per cent increase over the same quarter last year. The total weight of the gold articles showed an even bigger increase – up 30.4 per cent to 19.38m grams.

The Assay Offices said there was no sign of any reduction in high street jewellery sales "which might have been expected following measures taken to curb consumer spending through high interest rates."

Mr Gerald Ratner, chairman of the Ratners Group, Britain's biggest jewellery retailer, said that the sector had been buoyant for two or three years, but "this year seems slightly better than any other."

In the first quarter of the year the number of articles submitted to the offices rose by 39.4 per cent compared with the 1988 quarter, reflecting restocking after strong Christmas sales. The total weight of gold articles was up more than 37 per cent to 16.88m grams.

Silver and platinum jewellery shared in the second quarter increase. The number of silver articles increased by 15.9 per cent to just over 1m, with the weight up 20.6 per cent to 15,580 kg. Platinum articles numbered 2,309, with a weight of 13,822 grams, a rise of 12.5 per cent.

Ingersoll agrees to joint Irish newspaper venture

By Raymond Snoddy

MR RALPH INGERSOLL, the US newspaper publisher who owns the Birmingham Post and Mail, made his second European move yesterday, when he announced agreement in principle to form a partnership for publication of the three newspapers in the Dublin-based Irish Press Group.

Ingersoll Publications, with revenues of more than $750m (£462m) last year, will take a 50 per cent holding in Irish Press Newspapers, a wholly owned subsidiary of Irish Press, which controls the group.

The money being put up by Ingersoll Publications will be used to re-equip the Dublin publishing group with the latest newspaper technology.

Last month, the group, which publishes The Irish Press and Evening Press with a combined daily circulation of 175,000 and the Sunday Press with paid circulation of 220,000, reported losses of I£1.5m on turnover of I£31.7m.

At a meeting in Dublin, Mr Ingersoll promised to respect the Irish culture and traditions of the company and marry it to his press experience.

The Irish Press was founded in 1928 by Mr Eamon de Valera, who later became president of the Republic of Ireland, to support the movement for full Irish independence.

Mr Ingersoll, whose group publishes 40 daily and more than 150 weekly newspapers in the US, bought a majority stake in the Birmingham Post and Mail and the Coventry Evening Telegraph in 1987.

Time runs out for 59 backbench MPs' bills

By Tom Lynch

A TOTAL of 59 bills put forward by backbench MPs fell yesterday when the session's allocation for private members' bills ended.

Four bills passed into law during yesterday's five-hour session in the Commons. They included measures to permit payment of car park charges by pre-paid credit cards, to curb smoke emissions from houses and to extend liability for smoke emissions by businesses.

Time for discussion ran out as MPs were considering a bill to improve compensation for accident victims, and Mr Harold Walker, the Deputy Speaker, read out the titles of the remaining 60 bills one by one. A single shout of "Object" was enough to kill all but two of the bills that were moved.

The two exceptions – to bring club licensing hours into line with pubs and toughen penalties on those convicted of keeping dangerous dogs – were not opposed and completed their Commons stages in under two minutes each. The dangerous dogs bill now goes to the House of Lords. The club licensing bill has already been to the upper house.

The government whips objected to most of the bills as being contrary to government policy, requiring extra regulation or involving public spending.

The whips also stopped others because they raised issues that the Government believed it should deal with in legislation. For example, a bill to curb computer hacking was not moved by its sponsor after clear indications this week from Mr Douglas Hurd, the Home Secretary, that he was considering action.

In a statement issued by the Home Office yesterday, he promised to consider "carefully but quickly" the Law Commission's review of computer misuse, which is due to be delivered by the end of September.

There were six bills to tighten the abortion law. All were blocked by supporters of the current rules, laid down in Mr David Steel's 1967 private member's bill.

Privatised utilities 'will remain a political issue'

THE PRIVATISED utilities will remain a major political issue for decades to come, Mr Paddy Ashdown, leader of the Social and Liberal Democrats, said last night, *writes Tom Lynch.*

He told the Oxford University Business Summer School that the utilities could be removed from the political arena only if the electors were happy to leave "managerially-run corporations" to their own devices in running basic utility services. He said: "Experience suggests that they are not. Nor should politicians want them to be. Privatisation has taken industries out of public ownership but not out of politics."

It remained to be seen whether removing Whitehall control over capital programmes, wider employee share ownership and the "rather distasteful" increase in incentives for top management would increase efficiency. Even if they did, that would not guarantee lower prices, better service or long-term planning.

Mr Ashdown said the threat of takeovers would exert weak pressure on the management of the privatised industries, because of statutory protection, a wide shareholder base and the political difficulty of allowing foreign control of a major utility. To the extent that the threat operated, it would encourage short-term profit maximisation, which was not necessarily in the consumer interest in near-monopoly conditions.

He called for a new regulatory structure to cover all utilities and for a more powerful National Consumer Council. The system of regulation should be permanent, adaptable to changing circumstances and with powers which were variable to allow the toughest supervision where there was least competition.

Price control was needed because the utilities faced no realistic threat from new entrants to their markets, Mr Ashdown said.

Mr Ashdown attacked the proposals for regulation of water and electricity. "There is a lot of wishful thinking going on." The Government was more concerned to assuage the doubts of potential investors than to devise a regulatory regime to protect the the public and consumer interest.

UK NEWS

Touts revel in hospitality business

As Wimbledon ends, **Richard Donkin** hears about 'the biggest sting'

THE CORPORATE hospitality industry, bedevilled by cases of sharp practice, is seeking to restore confidence among customers worried about the ability of companies to live up to the claims in their glossy brochures.

The Corporate Hospitality Association, formed to raise standards in the industry, is considering a bonding scheme for members which would provide protection for clients in the event of default. But the association itself faces criticism for its failure to clamp down on members dealing in black market tickets.

The good, the bad and the ugly of corporate hospitality are all gathered at Wimbledon this week, which – with Henley last week and Ascot the week before – marks the zenith of the corporate entertaining calendar.

Client companies, tempted by mail-shots, or the lure of bargain deals from cold-calling salesmen offering discounts on "last minute cancellations," have found that in some cases not everything is what it seems.

While the failure of Henley Hospitality Regatta was an extreme example of how the hospitality business can go badly wrong, there have been numerous unpublicised complaints. Henley left 80 corporate customers facing the dilemma of whether to let down their parties or pay twice over.

Some clients turning up for Henley, for example, found that their tented villages did not overlook the river. Some of those at Ascot complained of having a 10-minute walk to the grandstand – not easy after half a bottle of champagne.

While such complaints appear minor, they in fact loom larger when one recalls that companies have invested thousands of pounds on bookings to ensure that clients are treated royally.

Company failure or a poor site are the greatest risks for clients seeking to visit Henley. It has been one of the easier events for start-up companies as tickets are not required to watch the rowing.

Climax of the season: corporate guests are given elegant hospitality at Wimbledon for the tennis championships

Ticketed events, however, have been the greatest sources of burnt fingers in the past. If one, asks many hospitality companies where they get their tickets – particularly for Wimbledon – they become coy and say something like "from reliable sources."

Yet they were far from "reliable" when one of the better companies in the business – and a member of the CHA – supplied stolen tickets through an agent to a party of Austrians at Wimbledon two years ago.

The company, which had not known that the tickets were stolen, refunded the costs in full but could do nothing about the embarrassment created for its clients.

This risk of embarrassment from touted tickets caused Nomura International, the Japanese finance house, to change its corporate hospitality policy a week before Wimbledon three years ago, when company executives discovered they were dealing with an unreliable black market source of tickets.

Keith Prowse, the only corporate hospitality company outside the All England Club at Wimbledon with an official ticket allocation, was able to come to Nomura's rescue.

However, no one could help the hundreds of businessmen who went to a Twickenham rugby union international last year, courtesy of the Maceworth organisation. Their hosts paid £249 a head to find less than an hour before kick-off that there were no tickets. The party had to watch the match on television.

Hospitality companies themselves confirm that client after client will hand out large sums without making any checks. When they are caught out, they keep quiet, afraid of appearing fools. "It is the biggest sting of all time," Mr Paul Burns, managing director of Keith Prowse, said.

He is scathing about the companies that deal in black market tickets, saying he will not join the CHA until it insists that members cannot trade on the black market.

The desire to impress is perhaps one reason why companies are often blinded to the reality of the corporate hospitality businesses with which they deal. Directors who never let a petty cash slip pass without the strictest scrutiny will pay thousands in advance to off-the-shelf outfits living a hand-to-mouth existence from event to event, often run from a single office furnished with a bank of telephones.

That was certainly the case with Henley Hospitality Regatta, formed in February by Mr Alex Ozar to "do" Henley. It was purely a sales operation. Police are seeking to interview Mr Ozar about more than £40,000 missing from the company account. He has fled to Barbados.

The 600 places a day he was offering at between £135 and £225 a head had been subcontracted from Regatta Hospitality, a company for which he had worked on a freelance basis 18 months earlier. He even distorted his river map to make it look as if he had a long stretch of the riverside.

Regatta Hospitality, part of the Hospitality Group, is headed by Mr Marcus Evans, a man who is haunted by former staff going off the rails.

A couple of years ago a former employee went to Australia where he formed a company to provide corporate hospitality at the Melbourne Cup. The company went into liquidation when the man disappeared along with clients' money. Police are still looking for him.

Mr Evans points out that he cannot be responsible for misdeeds by former staff.

The Hospitality Group planned to trade at the Ryder Cup in September under the name Ryder Cup Hospitality until it was forced to withdraw the name by court action from the Professional Golfers' Association and Keith Prowse, which has the exclusive ticket rights. The group is now having to tell its clients that golfing hospitality will come without tickets.

As soon as the Henley Hospitality Regatta collapse was announced, other hospitality companies approached the "victims" on its client list, which included such illustrious names as Marconi, Balfour Beatty, P&O Ferries, Peugeot Talbot and Epson Computers. The unseemly scramble for their business demonstrated how intense the competition has become.

Lloyd's agents fail in challenge to Revenue over bond taxation

By Raymond Hughes, Law Courts Correspondent

LLOYD'S of London's managing agents have failed in their High Court challenge to the Inland Revenue's decision to change the tax treatment of Lloyd's syndicates' investments in US bonds.

The court yesterday rejected the agents' accusations that the Revenue abused its power when it decided retrospectively last October to tax as income rather than as capital gains the indexation uplift on US index-linked bonds purchased by the syndicates.

The uplift automatically increases the value of the bonds by linking them to changes in the consumer-price index.

The agents, who look after the insurance market's syndicates, claimed that "assurances" by the Revenue that the uplift would not be treated as income for tax purposes had been central to decisions to invest in US bonds.

They attacked the October decision as "unfair, inconsistent, discriminatory and an abuse of power."

Yesterday's ruling was made on five test applications for judicial review of the Revenue decision. It disposed of a total of 34 applications, involving 57 managing agents and about 250m of tax.

The lead firms in the test applications were MFK Underwriting Agencies, R.J. Kiln & Company, D.P. Mann Underwriting Agencies, Pieri Underwriting Agencies and Merrett Underwriting Agency Management.

The agents, who are likely to go to the Court of Appeal, took legal action because the Revenue said the taxation change would apply as from the 1985 account.

The syndicates have closed their 1985 accounts and distributed profits to members on the previous basis under which redemption profits were subject to capital gains tax and, because of indexed CGT exemptions, attracted little or no tax. The agents said that the change would involve reclaiming tax from members.

The dispute related principally to Sallie Maes – index-linked bonds issued by the Student Loan Marketing Association, a US Government agency, in which about $3.5bn (£2.2bn) of the $9bn in the Lloyd's US trust funds are invested.

Lord Justice Bingham said yesterday that the issue was whether, by its words or conduct, the Revenue had precluded itself from seeking to tax the indexation uplift as income rather than as a capital gain.

He said independent approaches had been made by agents' representatives to different Revenue officers about the Revenue's view of the US bonds. The agents claimed that the indication had been that the Revenue's policy was not to challenge the indexation uplift as disguised interest provided the bonds paid a commercial rate of interest in addition to the uplift.

The Revenue's statements, the agents claimed, had been an inducement to those who had approached them to buy bonds and it would, the agents argued, be grossly unfair to them if the Revenue were now free to alter its position to their prejudice.

The Revenue argued that, while it might in principle be bound by clear and unqualified answers put with reference to specific, fully detailed transactions, it could not be bound by general and qualified statements of its thinking given in relation to different transactions which had been made in response to the agents' approaches.

Lord Justice Bingham said that for the Revenue to be bound by an agreement to forego tax, it was necessary that any assurance should have been given to a taxpayer who had "put all his cards face upwards on the table."

That meant that the taxpayer must have given full details of the specific transactions, made it plain that a fully considered ruling was sought and indicated the use he intended to make of any ruling given.

Those conditions, the judge said, were not satisfied in this case. The Revenue's answers had not been intended to give advance clearance for any future transactions nor to fetter its future action.

The "disjointed" responses of a number of Revenue officers could not be aggregated into a Revenue policy nor regarded as a general assurance to the Lloyd's market.

The judge said it was clear that the agents felt strongly that the Revenue's conduct had been unfair.

"I do not, however, think that... the Revenue has promised to follow, or indicated that it would follow, a certain course so as to render any departure from that course unfair. I do not accordingly find any abuse of power."

Insurance rule worries judges

THREE APPEAL Court judges yesterday called for an investigation into a "remarkable state of the law" which enabled insurance companies to refuse to pay out on claims by genuine claimants.

The court urged the Law Commission to investigate the situation. It could arise when claimants who made a full disclosure of all relevant facts to their brokers when applying for cover were refused compensation because of their broker's failure to make a full and frank disclosure on the insurance company's proposal form.

Lord Justice Purchas said to anyone unacquainted with the insurance industry "it may seem a remarkable state of the law that someone who describes himself as a Lloyd's broker, who is remunerated by the insurance industry and who presents proposal forms and suggested policies on their behalf, should not be the safe recipient of full disclosure; but that is undoubtedly the position in law as it stands at the moment."

"Perhaps it is a matter which might attract the attention at an appropriate moment of the Law Commission," he said.

The apparent anomaly arose because although brokers were paid by insurance companies they acted as agents for the person taking out the policy.

However, Lord Justice Purchas, sitting with Lord Justice Balcombe and Lord Justice Stocker, went on to uphold a High Court ruling last year that Mr Kenneth Roberts, a motel owner, was nevertheless entitled to cover for £70,000 worth of fire damage to Crossroads Motel in Anglesey.

Lloyd's had unsuccessfully argued that the policy was invalidated by a failure to disclose that the hotel operated a disco.

Dismissing an appeal by Lloyd's underwriters, the appeal judges agreed that although Mr Roberts was bound by any error his broker had made in filling in the proposal form, it had not been necessary for him to mention the disco.

Last year Mr Justice Hodgson, rejecting the Lloyd's argument, said if the insurance company was right then Mr Roberts would be "yet another victim of the insurance industry."

"He made the fullest disclosure to the broker. Like the majority of laymen he probably thought that was enough and that the broker was the agent of the insurers by whom he was remunerated by way of commission. That mistake was one which, unhappily, is all too common and all too often used by insurers to escape liability."

Test for irradiation of herbs

By David Fishlock, Science Editor

FOOD that has been pasteurised by radiation can be identified reliably by a simple technique which makes it glow when heated, according to reports from laboratories in Scotland and West Germany.

Critics of the irradiation of food often cite the lack of a test which shows that the food has been exposed to radiation as an objection to using the process, although a very low incidence of living organisms is itself a strong indication that radiation has been used.

To counter such objections, the Ministry of Agriculture, Fisheries and Food has funded the development of several possible assays for irradiation.

One is the thermo-luminescence (TL) assay demonstrated by Dr David Sanderson and his colleagues at the Scottish Universities Research and Reactor Centre, East Kilbride.

They report in Nature magazine this week that when an irradiated substance is heated, it emits a characteristic glow.

Working with a variety of herbs and spices, they have shown the light to come from dust adhering to the foodstuffs.

Such seasonings will be among the first foodstuffs to be approved for irradiation in Britain, because of the often unhygienic way they are gathered and stored. Most of the nations which have approved the use of food irradiation are using it to treat seasonings.

The Scottish researchers have associated the glow with contamination by minerals in soil.

They say they are confident that they have demonstrated the basis of a reliable test for positively identifying whether herbs and spices have been irradiated.

German scientists, with the Institute for Radiation and Environmental Research in Munich confirm the findings, using dusts they have separated from such spices as green pepper, sage, rosemary, lovage, oregano, dill weed and savory.

Another assay funded by the ministry, called electron spin resonance, also shows promise of revealing the use of irradiation, particularly for poultry, which is also expected to be approved for irradiation in Britain.

The Paterson Institute for Cancer Research, a Cancer Research Campaign laboratory in Manchester, has reported that it can detect evidence of food irradiation many months after treatment, and even after the food has been cooked.

Such a test promises to give a measure of how great a dose of radiation the food has received and could be important in safeguarding the public against food which has been overdosed, or exposed to higher levels than have been approved.

EMPLOYMENT

Wellcome seeks foreign graduates

By Peter Marsh

WELLCOME, the UK drugs company, is introducing a new European training scheme for graduates aimed at giving the group a better platform to tackle the Single European Market due after 1992.

The scheme, due to start next year, is also linked to reducing the dependence of the company on the UK labour pool for graduates, which is widely expected to become sharply reduced in the 1990s because of demographic trends.

The Wellcome programme is due to involve recruiting from European countries outside Britain and a small group of graduates in areas like business studies.

The graduates would be expected to speak at least three languages and would be given training in sales and marketing jobs across a number of European nations in the first two years of them joining the company.

Wellcome envisages recruiting about five graduates to the scheme initially, although the numbers could rise in later years.

These people would be recruited from universities and other educational establishments in countries such as France, Germany and Spain. They would be in addition to the 100 or so graduates whom Wellcome recruits each year at present, most of whom come from educational institutes in Britain.

Under the Wellcome plan, the graduates on the European scheme would spend roughly six months in a number of European countries under the guidance of managers in the company's different European subsidiaries.

The graduates would be expected to have roughly three or four spells of such training during their first period of employment in the company before going on to a mainstream management position in the group.

The company, which has grown strongly in recent years, hopes to expand significantly its non-UK European operations in the 1990s and sees the new graduates' programme as an important part of this thrust.

After 1992, according to many pharmaceutical industry observers, the European drugs market is likely to become far less fragmented.

More attention is expected to be paid by companies to sales and marketing operations across the Continent as a whole rather than in individual countries.

MSF agrees to postpone move to isolate electricians further

By Michael Smith, Labour Staff

THE MSF general technical union has agreed to put off a controversial plan which could lead to the further isolation of the EETPU electricians' union in the labour movement.

The union had tabled a motion for this week's annual meeting of the Confederation of Shipbuilding and Engineering Unions which, if supported, would have led to a review of the membership, organisation, role and financing of the confederation.

Although it did not mention the EETPU by name, MSF leaders had made it clear that they expected a review to lead to the electricians' expulsion.

Mr Roger Lyons, MSF general secretary, agreed, however, not to put the motion to the conference. Instead it has been remitted to CSEU's executive for consideration and the MSF will press for a full report on the issue to next year's conference.

Mr Lyons said the MSF had decided not to push the motion because it did not think the CSEU had the resources to launch a full review when it was stepping up its campaign for a 35-hour week for engineering workers.

Alex Ferry: motion would have been defeated

The motion stipulated that a working party on re-organisation should report back to affiliates by December. This would not have been possible, said Mr Lyons, because of the concentration of resources into the shorter-week campaign.

Mr Alex Ferry, CSEU general secretary, said the motion would be considered at the next finance committee. Had it been presented at conference it would almost certainly have been defeated.

MSF's call for a review of the CSEU stems from its belief that some of its services may duplicate those of the Trades Union Congress. It wants closer links between the two organisations.

Mr Lyons said that if closer liaison was established the result would almost certainly be the electricians' expulsion from the confederation.

He said that since the EETPU's expulsion from the TUC last September, the electricians had used the CSEU to protect themselves from the Congress. He intends to seek an early meeting of the TUC-CSEU liaison committee.

Blue Circle dispute cuts plant output by half

By Michael Smith

BLUE CIRCLE, the cement and home products company, is losing nearly half of the weekly output of its largest cement plant as a result of industrial action by production workers.

More than 440 workers in Northfleet, Kent, are staging weekly one-day strikes and have banned overtime other than that which is specified in contracts. They are protesting at the company's refusal to introduce a London Weighting allowance.

Blue Circle says that it has nationally negotiated rates and if it made special payments for workers in Northfleet, which is outside London, it might have to do the same for staff in other areas.

There is no justification for the plant's staff being paid extra, it says.

The company is importing cement to make up for the 20,000 tonnes of cement it is losing each week because of the action. Customers are not experiencing major delays, it says.

The action began at the start of last month with the one-day weekly strikes and was intensified two weeks ago with the overtime ban. The company has since tried to settle the dispute by making proposals, which it will not disclose, on its planned introduction of flexible working practices.

Northfleet is one of just three Blue Circle plants in Britain which has not yet introduced the practices, known as Integrated Working. On Tuesday, the workforce rejected the company's concessions on the package as a means of resolving the dispute.

In the latest development, the company yesterday sought and won a ruling from the High Court on its interpretation of contractual overtime.

This followed a threatened escalation of the dispute on Thursday when workers walked out in support of colleagues who had been laid off for refusing to carry out what the company considers to be contractual duties.

The company said yesterday that it would be meeting union representatives at the weekend to try and settle the dispute.

Shipyard staff advised to sign new contracts

By Our Belfast Correspondent

TRADE UNION leaders at Harland and Wolff, the Belfast shipbuilders, yesterday advised 2,400 workers to sign new contracts issued by management.

The advice reverses the union's attitude on the job offers – shop stewards had consistently opposed the contracts on the ground that they amounted to a deterioration in working conditions.

Mr Peter Williamson, chairman of the works committee responsible for negotiating with management over the new contacts said: "We had a series of meetings across the company with the recommendation from the committee that the membership should sign the contracts with the indication that they would accept."

Mr Williamson said the unions had succeeded in renegotiating certain aspects of the new contracts.

Mr John Parker, Harland chairman, yesterday welcomed the recommendation of the new terms of employment by shop stewards.

Fewer recruits expected as more stay on at school

By John Gapper, Labour Correspondent

THE FALL in the number of young people entering the labour market up to 1995 is likely to be sharper than previously estimated because of an increase in the number staying on at school after the minimum leaving age.

A study in the Government's Employment Gazette says the number staying on at school is likely to increase from the current figure of 31 per cent to nearly 35 per cent by the turn of the century.

After a steady decline in the number of school-leavers from 1982/83 until 1992/93, the number is expected to rise modestly for two years, reaching about 690,000 in 1995/96. There were about 911,000 school-leavers in 1982/83.

The study says the rise in the number of teenagers staying on in education, which is likely to exacerbate problems faced by employers trying to recruit young people, is being caused by a number of factors.

Among them are a growth in tertiary college provision, changes in the youth labour market, and longer term changes in the age and qualification mix of leavers.

The study says that the rise in staying on will dampen down the recovery in the number of young people available for work in the latter half of the 1990s. Even in 2000/2001, there will still be 40,000 fewer leavers than this year.

A large number of employers are already worried at the prospect of having to recruit school-leavers in a shrinking market.

● The Gazette reports that industrial disputes in 1988 cost a total of 3.7m working days, a slight rise on the figure of 3.5m for 1987, but substantially less than the annual average of 10.3m for the ten years from 1978 to 1987.

Two disputes accounted for half the number of working days lost in the year. The biggest dispute in 1988 was the postal workers' national strike which lost 1m working days.

The second largest dispute was the VSEL dispute in Barrow-in-Furness, which led to the loss of 800,000 working days.

Pay is key to BBC of the future

John Gapper on the reforms that will be needed to fund wage rises

ANYONE wanting to predict the long-term effect on the British Broadcasting Corporation of this year's pay dispute could do worse than to look at BBC North West, where productivity is estimated to have risen 35 per cent in three years.

If the BBC is to avoid pulling out of services such as Radio 1 or network local radio to pay for an uplift in wages, its best hope is to find productivity savings similar to those found in the north-west under Mr Hugh Williams.

Since being made head of broadcasting at BBC North West, Mr Williams has integrated radio and television services, cut some management layers, and moved quickly in commissioning the region's quota of 60 hours of independent productions.

He has also managed to unnerve many of the region's 1,400 staff by placing more journalists on short-term contracts. The process has been far from painless, but it has earned him the approbation of Mr Michael Checkland, director-general of the BBC.

The immediate evidence for this is that Mr Williams has been appointed to the senior management review team which has been ordered to report by the end of the year on ways of finding savings to fund increased pay.

Senior BBC managers now accept that a pay uplift of between £40m and £50m will be needed in the next one to two years to re-introduce enough pay comparability with the independent sector to stop the BBC losing staff at a critical rate.

Michael Checkland: seeking savings

The shock of the series of one-day strikes has brought a realisation that staff pay was a crucial element of expenditure which not fully addressed in the BBC's 1987 five year plan which backed a broadening range of services.

"We looked at all our radio services, we looked at our television services, we looked at our regional services and we said, yes, we think the span of services we are providing is appropriate for the BBC of the future," Mr Checkland told a staff liaison meeting on June 19.

But the BBC of the future will now have to be re-examined. "The BBC is like British Steel in the 1960s, with plants everywhere to keep people happy. It should be a software company, not a manufacturer," says one senior manager.

In employment terms, the BBC is unique. It spent £478m on employing and training a vast range of technical, managerial and clerical staff in 1988. The independent sector relies on it as the source of ready-trained staff.

These staff are paid on centralised pay structures reflecting a traditional concern to maintain a stable internal labour market. Managers in different BBC services and regions must adhere strictly to these pay rates.

The general level of pay has been maintained a discreet distance behind the independent sector, but settlements of 4.5 per cent in the past two years are perceived to have widened the gap beyond the BBC's cherished concept of "felt fairness."

That perception has not extended to senior managers, who believe that a big uplift is required to re-establish sufficient pay comparability. But they also think pay structures themselves will have to be changed.

"There is no point in just asset-stripping £40m to solve the immediate crisis if the only effect is to shrink services. Pay is going to have to be made more competitive in lots of ways as part of that change," says one manager.

The money released by the review group is to be used to finance a new pay strategy being worked out by Mr Roger Chase, personnel director. It has already been signalled that greater pay flexibility will form part of the strategy.

"If we want to be competitive in a pluralistic market place we have to be competitive in lots of different ways. There are different markets for staff in network radio, and sport and current affairs," says a senior manager.

For the unions, still in what one official calls "a holding pattern" of strikes, such prospects remain intangible. Mr Roger Bolton, BBC national officer of the Beta staff union, says it is hard to react without any concrete proposals.

However, moves towards pay variations for the same skills between regions and services could meet some resistance from unions. "I think we would have trouble with attempts to weaken central bargaining in that way," says Mr Bolton.

Staff might also have trouble with the cutting of services. "We are happy to discuss ways of increasing pay, but if the price is regional television or Radio 1, that might be throwing the baby out with the bathwater," says Mr Bolton.

Mr Bolton also argues that if the BBC is really committed to a pay uplift next year, it should show good faith by forward funding some of the anticipated increase in this year's pay round.

However the dispute is ultimately resolved, it is clear that the BBC which eventually emerges will be a different one from the corporation which imposed its original 7 per cent pay offer on protesting staff in May.

The question is whether it will manage to find sufficient savings through cutting, trimming and reform on the model of BBC North West. If not, some of the services questioned before the five-year plan may find themselves again at risk.

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Trouble in transport

LABOUR RELATIONS in the UK have become as hot as the weather. In a country that was supposed to have put its difficulties over labour relations behind it, commuters struggle even to get to work. Many of these disputes – for example, those in the engineering industry – threaten somewhat higher inflation in the short run and somewhat higher unemployment in the long term. Neither of these is a pleasant prospect, but both lie a little way ahead. The disputes on the railways and in London's transport are a different matter. They are profoundly inconvenient to millions of people.

Surprisingly, however, there is no strong anti-union sentiment. One reason for the lack of an outcry is that these disputes lie at the intersection of three developments that are seen as either created, or aggravated, by the Government itself: resurgent inflation, the attempt to transform labour relations in underfinanced public services, and the side-effects of the boom in London and the south-East.

In hindsight at least, macro-economic policy blundered in 1986, 1987 and 1988 when real final domestic demand was permitted to grow at 4.2 per cent, 5 per cent and 6.2 per cent, respectively. Far too much pressure built up in the domestic economy, not least in the rapid decline in the rate of unemployment, from 11.1 per cent in 1986 to 6.4 per cent in May 1989. With the retail price index also rising by 8.3 per cent over the most recent twelve months, labour law alone could not be expected to contain the pressure.

Inflationary background

It is against this inflationary background that the management of British Rail and London Regional Transport have tried to introduce major changes in the pattern of labour relations. Audaciously, LRT wants to promote people on merit, while the drivers of one-man trains, far more audaciously, wish to receive half of what LRT is saving by dispensing with guards. Meanwhile, BR has imposed a 7 per cent pay settlement and wants to split pay bargaining into groups covering five different categories of worker.

Such demands have long since been conceded in the private sector. But in the arcane world of UK labour relations, two rights remain almost unquestioned: those of a pay rise at least equal to inflation and handsome compensation for any consent to productivity-enhancing changes in labour practices. A management that wishes to dispense with either will have a fight on its hands. In these cases, however, the financial pressure from Government leaves management with no choice. There is not enough money to buy the workers off. If anything, basic pay has tended to lag behind that in the private sector, with the difference made up in ever greater amounts of overtime.

Finally, the Government is partly the victim of success. It is the economic dynamism of the south-east that has created the severe local labour shortages now affecting both BR and LRT. It is the very same dynamism that has put the price of housing beyond the reach of unskilled workers and increased passenger journeys on the underground by 60 per cent and in Network Southeast by 16 per cent between 1982 and 1987. Last but not least, it is the vulnerability of London to transport disruption that has made the disputes on the railways and the underground so painful.

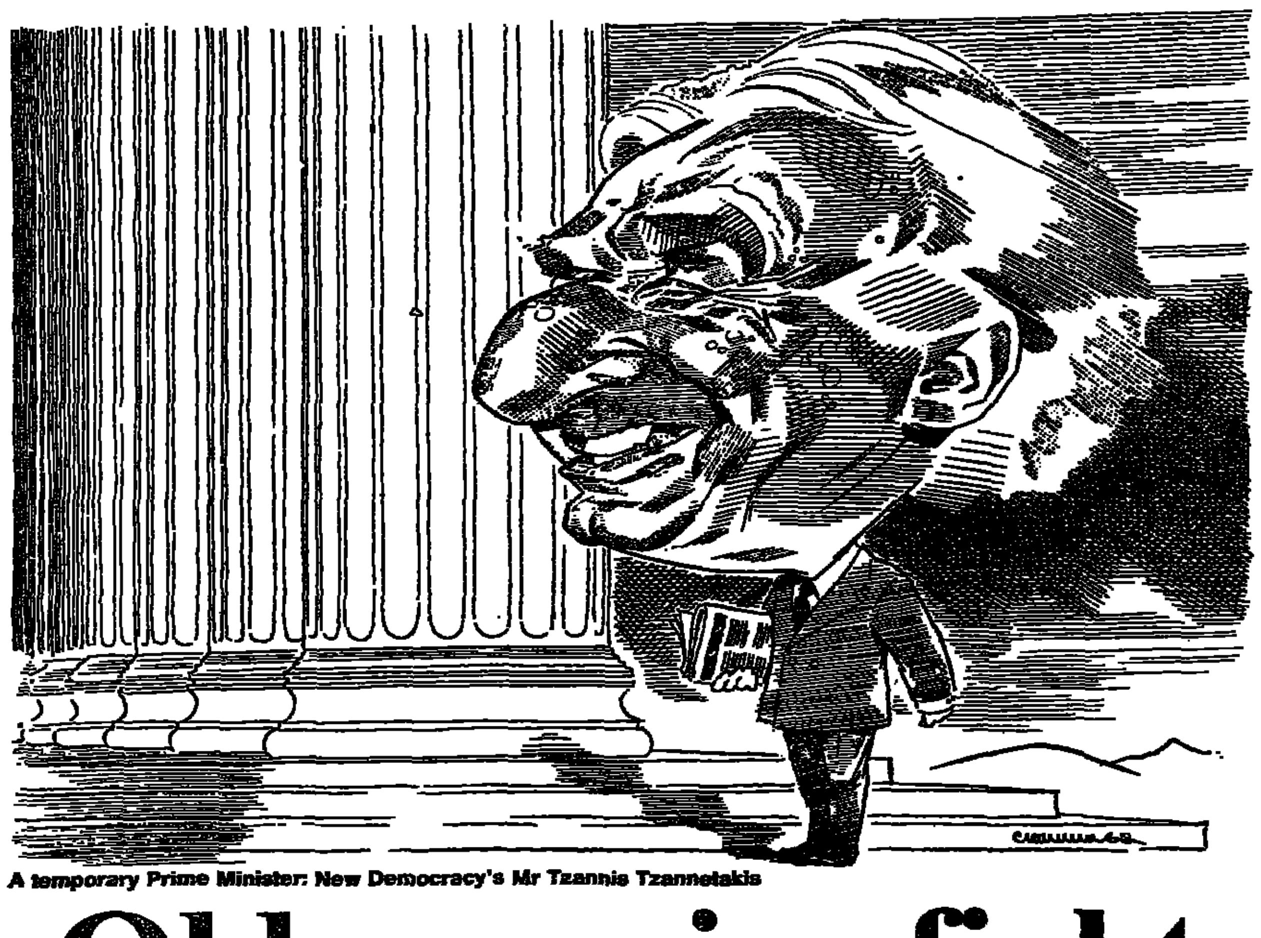
Government dilemma

In present circumstances, the Government cannot be seen to acquiesce in highly inflationary pay deals. If there are to be concessions over pay, flexibility in the structure of wages, in pay bargaining and in the use of labour must also be won. There is also no easy way to halt the strikes. Respectable arguments exist for restricting the right to strike in essential public services, but any change in the law would be ineffective, except in the context of a transformation of labour relations in these organisations. Privatisation would be equally irrelevant. So far as the disputes are concerned, containment must be the main policy.

But the disputes merely exacerbate already fraught experiences with public transport in the capital. Unfortunately, further increases in investment, however justified, will have little effect on the public transport services until well into the next decade. The right approach in the short run is a much more aggressive use of the price mechanism, not only for rail and the underground but also for roads, precisely the opposite of what has been happening in the 1980s (quite apart from being politically unpopular).

The Government's present predicament is that it has not merely chosen to do many unpopular things, but is being forced to do still more of them. The public is clearly inclined to pin much of the blame on the Government. Ministers may resent the criticisms, but, in the last resort, they have to live with the public, which is not true the other way around.

John Wyles reports from Athens on a healing of wounds in Greece



A temporary Prime Minister: New Democracy's Mr Tzannis Tzannetakis

Old enemies fight a common foe

Constantine Mitsotakis, rejuvenated by political success, assumed a suitably grave expression on a face which barely hints at his 72 years. "We have reached a very dangerous crisis," he said, "and we need a new start."

Heavy words these from the leader of Greece's New Democracy Party in a week not otherwise dedicated to apocalyptic analysis. Congratulatory bouquets were continuing to flow through the front door, job seekers were besieging distracted party officials and New Democracy's Athens headquarters were altogether tingling with jubilant satisfaction.

Celebrations were undoubtedly in order. After eight long, and for New Democracy, politically tormenting years, a Greek government had been finally sworn in last Sunday which was not headed by that flawed Ionian Caesar, the Socialist Andreas Papandreou.

Nevertheless, it had taken the most novel, unexpected and, for many ordinary Greeks, exciting post-war political initiative to close the door on Mr Papandreou. An alliance – previously unthinkable – between the conservative New Democracy and the predominantly Communist "Coalition of Leftist and Progressive Forces," the new government is no less singular a phenomenon than the outgoing prime minister.

It is impressive testimony to the hatred Mr Papandreou has aroused in his political enemies. Perhaps nothing else could have persuaded Left and Right in Greece to put aside their own passionate enmity, born of the 1945-49 civil war. They have done so to complete the demise of Mr Papandreou's Pasok movement, only partially accomplished by the inconclusive elections of June 18.

In the process, they have introduced a word into the political lexicon – katharsis – which had hitherto belonged to classical Greek tragedy. It now signifies an attempt to cleanse the political corruption of which Mr Papandreou's party and government stands accused. The coalition's only other policy is to organise fresh national elections in October, this time free of the former prime minister's manipulation.

Both New Democracy and the Left are convinced that only Pasok's extraordinarily cynical use of the state-controlled radio and television service saved Mr Papandreou from an even heavier defeat last month. But since the new government's idea of guaranteeing independence is to put the service under the control of a parliamentary committee, lashings of faith or naïvety are needed to believe that political propaganda will entirely vanish from the nightly news.

Propaganda notwithstanding, a sufficient number of Greeks were sufficiently disenchanted with Mr Papandreou to rob him of his majority on June 18 despite prosperity acquired during the relentlessly populist Pasok years. The Government's debt may now equal total annual economic output and the budget deficit may be approaching 20 per cent of gross domestic product, but for six of the last eight years no effort was spared to ensure that purchasing power ran happily ahead of inflation.

As a result, the flame of consumerism now burns brightly in Greece, and many once rather tawdry Athenian shops are as glossy and expensively lined with material dreams as those of Paris and Rome. This week's political reconciliation between increasingly market-oriented conservatives and Communists who are not oblivious to the winds of change blowing down from the Soviet north, is not the only sense in which Greece could, at last, be seen as joining Europe. Yuppie-ism has also arrived, and with it an appetite for quick and easy riches.

Katharsis will sternly address this trend as manifested by the increasingly unrestrained financial greed which allegedly permeated the ranks of Pasok. Its object is to bring to trial ministers and officials who since 1985 are thought to have salted away considerable quantities of public and private money.

Corruption, of course, is by no means confined to the eastern Mediterranean. But the Greek public does seem behind the new government in feeling that Pasok appeared to overstep the acceptable limits. Matters to be investigated in the coming months concern possible fraud in the use of European Community agricultural subsidies and the price paid for an order of 40 Mirage jets. Above all, the spotlight of a judicial investigation in Parliament will be on Pasok's relations with Mr George Koskotas, now awaiting extradition from the US on charges of embezzling around $200m from his own Bank of Crete.

The lesson of the scandals is that "parties should not accept funds from crooks," in the words of one senior Pasok politician who knows that, for as long as Mr Papandreou is around, his political future could be instantly abbreviated by allowing his name to be attached to such a statement.

But it is far from certain that the 70-year-old Mr Papandreou's health will ever permit him to play a full role again in Greek politics. His highly publicised open heart surgery in London last autumn, when his bedside was permanently occupied by his young air hostess mistress (now wife-to-be), did not seem to stand up to the rigours of the last election campaign. He has spent most of the time since the election in hospital. This week he left Athens for a convalescent holiday after characteristically declaring fervent support for *katharsis*, providing it also covers the New Democracy years from 1974 to 1981.

With his main rival physically weakened by illness, and Pasok facing corruption charges which will provide banner headlines for Greece's extraordinarily sensational newspapers, Mr Mitsotakis can justifiably hope that in October New Democracy can win those two extra percentage points of the popular vote which will carry it from 144 parliamentary seats to a clear majority in the 300-member assembly.

CHRONOLOGY

1941 Greece occupied by Nazi forces.
1946-9 Greek civil war, ending in victory for right-wing forces.
1967 Colonels' coup.
1974 Democracy restored under leadership of Constantine Karamanlis.
1981 Pasok wins elections to become Greece's first socialist government.

Tossing his worry beads from one hand to another, the New Democracy leader seemed during an interview this week to be acquiring some of the relaxed self-confidence the absence of which until now has made him a poor public communicator. Yet for the moment, his gratification is only partial since it was not he who tasted on Monday that delicious moment of arrival in the prime ministerial offices when the levers of power are suddenly to hand.

This pleasure was reserved for an extremely nice, but not dangerously inspiring, former submariner, the 62-year-old Mr Tzannis Tzannetakis. Mr Mitsotakis pushed him into the breach, because he had the shrewd good sense to know that the Left coalition holding the balance of power would not abandon its refusal to serve under either Papandreou or Mitsotakis.

The symbolism of the Left's decision to go with New Democracy cannot be exaggerated, even if it was dictated by good pragmatic reasons (the parliamentary strength of the combined Pasok-Left coalition could not guarantee majorities for *katharsis* since those Pasok deputies under suspicion could hardly be expected to vote for their own impeachment). The coalition is important because it narrows, even if it does not close, the fault line which has divided the Greek people since the civil war of the late 1940s. In this the Communists, backed by Moscow, suffered a bloody defeat at the hands of a right-wing government materially aided by the US and Britain.

"This coalition is an historical step," said a grinning Michael Papakonstantinou, now Minister for Industry. He was wounded in the civil war fighting in the government's army and now rejoices at the two Left Ministers – for the Interior and Justice – who will join him at the cabinet table.

"Yes, there is a feeling that we are getting away from past divisions and hatreds and that we are approaching a society of consensus on social and political issues," confirms, a little stiffly, Mr Nicos Konstantopoulos, one of Greece's top criminal lawyers. His task, as the Left's Minister of the Interior, will be to organise the next elections.

Although the new government has set itself minimal targets, it will be a miracle if it reaches October without the odd upheaval. Day to day administration will present some unavoidable policy decisions and an extraordinary amount of flexibility from both sides of the coalition will be needed to avoid clashes.

"They are holding up the roof, but I don't know if they can talk to each other," said Mr Nicos Dimou, a leading Greek writer and journalist. He is both impressed and amused by the curate's egg now in power.

As Mr Mitsotakis, Mr Tzannetakis and other members of the government are cheerfully pointing out, the Government's internal political contradictions mean that no economic policy initiatives are possible – not even in the face of the soaring budget deficit and inflation at 14 per cent and rising. There is thus no risk of unpopular economic measures before the next election, nor of inflaming domestic passions over two sensitive foreign policy issues which have been put on hold.

One is the negotiations with the US on the future of the four American bases in Greece, which Mr Papandreou promised to remove and never did, and which are anathema to the Left. The other is the US's demand for the extradition of a Palestinian allegedly responsible for the bombing of a Pan Am jet in 1982. Minister Konstantopoulos was his defence attorney and the Left shares the PLO's view that the wrong man has been held.

Yet many Greeks do believe that this period of non-government will be good for the country. Not only because the coalition symbolises reconciliation across an historic divide, but also because it will give both the Left and the conservatives time to size up the nation's problems and, in the process, to begin to define what kind of parties they are and want to be.

Mr Mitsotakis hopes that the Left, when it returns to opposition, will be more constructive than in the past having had a taste of government from the inside. The Left coalition is a strange beast because it brings together a group of Eurocommunists and some independents, along with the dominant Moscow-oriented Communist party, the KKE. This remains something of an enigma: Mr Dimou holds that it is still made up of unreconstructed Stalinists who are depressed and suspicious of perestroika. But Mr Dimitris Karagoules, a member of the KKE executive, says "there has been a break with the past which began with the party's decision in 1987 to establish the Broad Left coalition and to develop new social and economic policies. We are not against private enterprise as long as it serves a usual function for a broader social benefit."

New Democracy itself is hardly a homogenous grouping. It has an autocratic, patrician tradition and a membership ranging from crypto-royalists to neo-liberals of the Thatcher persuasion. No-one knows from which position Mr Mitsotakis will lead if he gets his majority, although he will surely have to take note of the young, bright, highly educated types he has placed in such Ministries as Finance and Commerce.

Indeed, one measure of how the party and Greece is changing is that Mr Andreas Andrianopoulos, the new Commerce Minister, a Cambridge-educated 42-year-old, called his senior civil servants together on his first day in office and announced that given a free hand he would abolish the Ministry and the panoply of economic controls it still exercises. "I want to found the Ministry of Privatisation and Competition," he says. In a country where the state sector accounts for around 65 per cent of GDP, he may have to wait well beyond October before he is allowed to do so.

MAN IN THE NEWS

Sir Geoffrey Howe

Lightning conductor caught in his worst storm yet

By Robert Mauthner

Sir Geoffrey Howe, the Foreign and Commonwealth Secretary, who has emerged battered but unrepentant from his latest excursion to Hong Kong, has always been one of Mrs Thatcher's most effective lightning conductors. Though struck by thunderbolts both in the colony and at home, he appears to have survived surprisingly well, notwithstanding all the dire predictions ahead of his controversial visit this week.

Sir Geoffrey's special talent is to be able to reduce the temperature of most of the burning issues with which he is confronted. In the process, he has usually been successful in drawing the fire away from the Prime Minister, not the least of the required attributes of any Foreign Secretary in Mrs Thatcher's governments. Even Mr Martin Lee, a prominent member of Hong Kong's Legislative Council and one of the most persistent critics of Britain's tardiness in giving the colony more democratic institutions, is reported to have thanked Sir Geoffrey warmly for coming to Hong Kong and explaining policies with which he fundamentally disagrees.

Unflappability, good nature and unfailing courtesy have always been the hall-marks of Sir Geoffrey's style. In the past, they have frequently succeeded in transforming potentially tense diplomatic situations into relatively minor incidents without unfortunate long-term consequences. Such was the case when he toured Southern Africa in the summer of 1986 in an effort to persuade the Pretoria government and black South African leaders to start a dialogue on the political future of their country.

The tongue-lashing he received on that occasion from President Kenneth Kaunda of Zambia and the stern lecture given to him by President P.W. Botha of South Africa about interfering in other country's affairs, initially made him the butt of jokes by those who mistook dignified restraint for spinelessness. But the derision very soon turned into respect for someone who had staunchly defended his ideas under severe provocation.

Britain's involvement in Southern Africa, however, cannot be compared to its much more direct responsibility for Hong Kong, which still has almost a decade of life ahead of it as a British colony. A British diplomatic defeat in Pretoria can be presented at home as a Dunkirk-like victory, in which the absence of practical results is compensated for by an indomitable refusal to abandon basic principles. But a failure adequately to protect the interests and human rights of millions of Hong Kong citizens, due shortly to be handed over to the tender mercies of what might still be a very hard-line Peking regime, would be judged much more severely by world and domestic opinion.

That is something of which Sir Geoffrey is acutely aware, in spite of the appearance of intransigence during his recent visit to the colony. His barely-concealed irritation at those who criticise him for being hard-hearted and lacking in imagination is matched only by his annoyance at what he considers to be the unrealistic solutions proposed to provide a refuge for Hong Kong citizens who want to leave after 1997.

Whatever may be said about the substance of British policy, there is no reason to doubt Sir Geoffrey's protestations that he cares deeply about Hong Kong, which has been one of the main preoccupations of his stewardship at the Foreign and Commonwealth Office. He has visited the colony as often as eight times and clearly considers the 1984 agreement with China on its future as one of his major achievements.

The Welsh bard in him takes over when Sir Geoffrey describes his feelings for the place. "I think it is a unique, fantastic creation. Hong Kong really was born [as a modern business centre] and began growing at a time when China and the UK were both doing extremely badly – China during its cultural revolution and Britain under the Wilsonian revolution. Out of this rather unpromising marriage, it seems extraordinary that such a unique, lively child emerged."

Yet the hard-headed politician is lurking very close behind this enthusiastic appreciation of the talented Anglo-Chinese offspring. There just is no getting away from the fact that Britain's lease on Hong Kong (at least, 92 per cent of it) runs out in 1997, when the colony reverts to China, he points out. That is a fact of life of which everyone has long been aware and should be taken into account in any evaluation of what the British government can or cannot do. The agreement negotiated by Britain with China, giving Hong Kong a large degree of autonomy for the next 50 years, was the best deal possible in the circumstances. To try to undo it in the aftermath of the recent events in Peking would not only be impracticable but might even produce a worse agreement from the point of view of Hong Kong.

Nowhere is Sir Geoffrey's "realpolitik" more in evidence than on the subject of the right of abode in the UK demanded by Hong Kong's 3.25m British passport-holders. Of course, he has sympathy for their views, he maintains. "It is a premise from which I would certainly start if I was in that position." But such sentiments, however understandable, must be overruled by the practical and political difficulties of granting such a right.

The widely-held view that all the passport holders want is an insurance policy and that most of them do not really intend to come to the UK, is treated with scepticism by the Foreign Secretary, who says that it would be "reckless" not to prepare for the worst case scenario. The support he received from all sides of the House of Commons for his statement that Parliament would not support an indefinite and open-ended commitment to grant a right of abode to all the Hong Kong citizens concerned, make it unlikely that the Government will modify its policy in any fundamental way.

But Sir Geoffrey, who believes in the virtue of patience in settling intractable problems, will now attempt to mobilise Britain's western partners to provide assurances to the people of Hong Kong that they would be given refuge in the event of a "Doomsday" situation in the colony after 1997. Nor has he given up hope that, in spite of the recent events in China, the Peking government can be prevailed upon to reaffirm its promise to accommodate Hong Kong according to the principle of "one country – two systems." Such a clear policy statement, he feels, would take some of the heat out of the problem.

Lionel Barber examines how abortion has re-emerged as a divisive political issue in the US

Pro-Life scents a triumph

Michael Hirsh has lost count of how many times he has been arrested. He has been in jail in Florida, New York, and Atlanta. Married with six children, Mr Hirsh, aged 30, is an accountant who for two years has devoted his life to Operation Rescue, a militant anti-abortion movement.

His crime is to use his 6ft 5 inch, 225lb frame to block the entrance to abortion clinics. To those who say he and his fellow protestors are physically intimidating pregnant women, Mr Hirsh replies: "We are rescuing the unborn."

Last Monday, Hirsh and hundreds of other Americans who have joined Operation Rescue sit-ins around the country heard news which left their pulses beating a little faster. In a long-awaited ruling, the US Supreme Court, upholding large portions of a state of Missouri law, gave individual states the right to impose wide-ranging new restrictions on abortion.

Some 1.5m abortions are performed in the US every year – one-third on teenagers. The Court's decision amounted to a significant victory for the anti-abortion ("Pro-Life") lobby and may well pave the way for the reversal of the landmark 1973 Roe v Wade decision which established a woman's constitutional right to an abortion. The future of that decision could depend on how the Court rules on three other abortion cases which it has agreed to hear in the autumn.

The Pro-Life movement in the US has been growing steadily as a political force over the last 15 years. It may be fragmented – there are at least 3,000 groups at state level committed in varying degrees to restricting abortion – but it is very vocal and highly organised, often through religious fundamentalist groups courted by the Republican party.

Walk into any Pro-Life office and there is likely to be the familiar framed picture of Ronald and Nancy Reagan holding hands. Under President Reagan and, latterly President George Bush, the anti-abortion lobby gained an entrée into high circles which has given them respectability, if not always lasting influence on domestic policy-making. With Monday's Supreme Court ruling, however, "conservatives have finally got to the stage where they can reap the fruits of their ideological positions," says Mr Kevin Phillips, a top Washington political analyst.

The trick, says Mr Phillips, is for conservatives to avoid overplaying their hand in the same way that liberal Democrats did when they pushed through the sweeping civil rights legislation of the 1960s. Just as racial quotas, reverse discrimination and costly anti-poverty programmes drove voters away from the Democrat party, so Republicans must avoid drawing up legislation on abortion which alienates middle-of-the-road voters.

The test will come in the battleground of state elections, from the mayoral race in New York to Senate and House elections next year, perhaps even to the presidential contest in 1992. In the view of conservatives, the political arena – rather than the courts – is indeed where the volatile issue belongs. "It allows the democratic process to regulate abortion," says Ms Susan Smith, the 26-year-old associate legislative director of the National Right to Life committee which claims to be the largest anti-abortionist umbrella group.

Pro-Life's opponents are also preparing for battle. Ms Molly Yard, the white-haired veteran women's rights campaigner and president of the National Association of Women, insists that "every person who stands for election in this country is going to have to answer: are you for the right of a woman to control her reproductive life. If you aren't, move on over."

Ms Smith says that as a result of this week's ruling, the pro-Life lobby will be drawing up a "50-state strategy" to craft legislation aimed at restricting abortions. This sounds ambitious, because there are significant differences between the states, not only in the laws covering abortion but also in the strength of the Pro-Life movement and its "Pro-Choice" opponents.

Louisiana, Wisconsin, Minnesota, Pennsylvania and, of course Missouri seem certain to move fast to introduce tougher anti-abortion laws. In Florida, the fourth largest state in the Union, Governor Bob Martinez, a Republican, has already notified that he will call a special legislative session to tighten laws. These laws already require unmarried minors to get permission from their parents or a judge before having an abortion – a rule which many say lacks teeth.

Elsewhere, in California and New York, two of the so-called "safe states," the courts have consistently struck down efforts to restrict abortions. In Washington state, scene of several violent clashes in the past 12 months, pre-1973 laws may require women to have lived in the state for 90 days to get an abortion, but it specifically provides money for poor women to terminate pregnancy – itself a major issue because money will always be able to buy an abortion in the US.

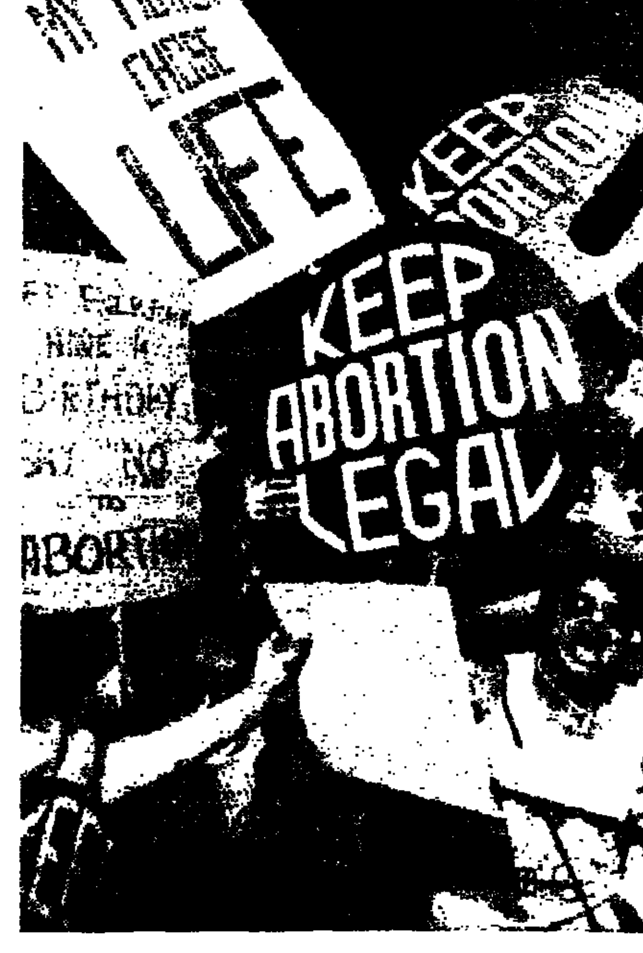
For the Pro-Choice movement, presenting abortion as a class issue is a strong card – but it will not appeal to one of the prime constituencies affected: the black community. Despite widespread, often unwanted teenage pregnancies among black Americans, the National Association for the Advancement of Coloured People (NAACP), one of the most powerful national lobbying groups, has no policy on abortion. "We do not take a position," says Ms Althea Simmons, the Washington-based director, adding: "Some people feel strongly about genocide" – a reference to the belief among some black activists that abortion levels among black women are ethnically destructive.

A more promising argument for the liberal Pro-Choice lobby is to portray the Pro-Life movement as intolerant. Some believe they have a ready target in Operation Rescue, an organisation whose activities have caused even the National Right to Life group to declare a policy of non-cooperation.

Operation Rescue was set up two years ago by a young high school drop-out by the name of Randall Terry who in his previous guises flipped hamburgers, sold used cars and entertained the idea of being a rock star until he underwent a mystical experience in Galveston, Texas. Now 30, Mr Terry heads America's new wave of religious fundamentalists.

After the fall from grace of a succession of national evangelical preachers in steamy sex scandals, Mr Terry (who later graduated from Bible School) presents a clean-cut, energetic image. He is also accustomed to cell-life, having been arrested on 33 occasions in nine cities and spent 80 days in gaol.

Both Mr Terry and Mr Hirsh (whose wife, Jo Lynn, has also been behind bars) cast themselves as martyrs for the cause, following the call in Proverbs 24:11: "Rescue those who are unjustly sentenced to death."



Protestors in Washington clash over abortion

David Waller analyses the factors behind the accountancy firms' rush to merge

Sums that may not add up

The accountancy world is in the grip of merger fever. Just a fortnight after the partners of Ernst & Whinney and Arthur Young tied the matrimonial knot, Arthur Andersen is braced to merge with Price Waterhouse, and Touche Ross with Deloitte Haskins & Sells.

If the latest proposals go through, the "Big Eight" firms which have dominated the business worldwide since the 1960s and 1970s will disappear into a Giant Four. The question is whether this bout of concentration has any rationale beyond the belief that Big is Beautiful.

The human dimension to the mergers should not be underestimated: they reflect the ambitions of the aggressive men and women who have fought their way up the rungs of a firm to the partnership.

"The mergers are driven by personal ambition and empire building," explained one accountant yesterday. "Every department is peopled with professionals who want to further their careers. They don't just want more money: they want the more interesting work. One way of doing that is to get new big clients."

The clients may not be so keen, however. Finance directors were asking themselves yesterday whether the service provided by a firm with 60,000 staff will be that much better than the service they receive from firms that are enormous at half that size.

The firms that have already merged cite the following business imperatives:

● The bigger a firm, the better the service it can offer to multinational clients which seek a standard "product" across a range of services in every country in which they operate.

● The statutory audit is the bedrock on which to build a business in the more profitable areas such as management consultancy and tax advice. The more audit clients, the bigger this potential access.

● Consultancy, in particular, creates a requirement for capital. Although the rules vary from country to country on the extent to which outside shareholders can invest in auditing firms, most of the capital for a firm's growth comes from its own partnership. The 4,640 partners of Price Waterhouse Andersen will better afford the sort of investment – in technology and human resources – required than either of the two firms on their own.

● The "beauty contest" factor. Prestige is very important for the accountancy industry. There is a widespread belief that a firm has to be one of the biggest for it even to be considered for work commissioned by governments or multinational companies.

● Business benefits. These depend on the snugness of the geographical and commercial fit, which will vary from merger to merger. One client of Andersen, when briefed on the merger on Wednesday night, was told that the consultants were licking their lips at the prospect of getting their hands on PW's audit clients. Andersen is strong in consultancy and (relatively) weak in audit; the opposite applies to PW.

However strong the commercial arguments, it is inevitable that in the short term at least, service to clients will suffer. As on any occasion when two businesses are put together, there will be upheaval, if only the disruption caused by moving offices. Given the nature of the business – strongly dependent on the motivation of staff skilled enough to find alternative employment at the drop of a hat – the impact on quality of the service to the client will be more marked than in, say, an engineering business.

There are other obvious problems of rationalisation. When KMG and Peat Marwick came together, for example, they operated wholly incompatible computer systems. Their accounting methodologies were different, too. The most pressing problem in any such merger is one of culture. It was not insurmountable in the case of KMG and Peat Marwick, but it could scupper the PW/Andersen link-up.

Culture describes more than just corporate image, which – in the UK at least – depicts Andersen as aggressive and "American" and PW as Establishment and relatively gentlemanly. Andersen is a much more internationally integrated firm than PW. Its satellite offices traditionally toe the Chicago line on everything from audit procedure to mode of dress.

Price Waterhouse restructured itself last autumn in an attempt to make its loose federation of national firms more closely linked internationally. It is unlikely that this has as yet had much practical effect on the hearts and minds of the firm's employees.

The cultural differences will coincide with the greatest commercial opportunities: the more different the individual firm's commercial profile in any given country, the better the fit. This particularly applies to countries such as Norway and Italy, where Andersen's interests are predominantly on the consulting side whilst PW is primarily an auditor.

In the UK, it is possible that the cultural differences are more apparent than real: some finance directors believe that the two firms are closer to each other than any of the others in terms of attitude and professional standards. In the US, the firms are thought to be indistinguishable in terms of culture and professional approach. One finance director joked yesterday that the two firms' auditors dress in an identical uniform of blue suits, red tie and white shirt. Whilst PW is clearly well established there – it audits more of the Fortune 500 companies than Andersen – its business is significantly smaller. Andersen's fee income in the US last year was $1.71bn against the $960m earned by PW; Andersen has 1,227 US partners and 16,682 staff against 799 partners at PW and 8,618 staff.

The firms' cultures are also reflected in the important statistic giving the amount of fee income per partner. Andersen partners always generate more income per capita than their competitors – £942,000 each last year in the UK against £612,000 at PW. Does this mean that staff at Andersen work harder than at PW?

Such difficulties will all have to be ironed out if the latest mergers are to be successful. And if the partners dislike what they see, the merger proposals may never become reality. In 1984, a proposed merger between Deloittes and PW was messily and publicly unscrambled at the insistence of the UK partnership.

LETTERS

Model water

From Mr Michael Carney.

Sir, Why is your editorial ("Few cheers for the water sale," July 6) so reluctant to draw the obvious conclusion from its own analysis? Public ownership has been bad for water customers and for the water environment.

Successive Governments have been only too ready to set, or agree to, higher standards, but much less ready to agree the necessary financing. This is inevitable so long as Government sets the standards, authorises the financing of the standards and then, through public bodies, monitors the achievement of the standards.

The obvious conclusion is to separate out these roles, requiring Government to perform its main job of determining and setting standards, public bodies to monitor the standards and private bodies to finance and achieve the standards. The present system has ensured that prices and standards are considered together; it has proved far from ideal.

Price regulation as part of the new tripartite model will, rightly, ensure that the companies can finance their functions and secure a reasonable return of capital. There are bound to be some difficulties in practice (there always are), but the new model, unlike the old, faces realistically the need to finance improved standards.

If beaches are polluted, rivers disgusting, and drinking water unacceptable an evolutionary approach scarcely meets the needs. A more radical approach such as that now proposed seems more appropriate and is required urgently.

Michael Carney,
Water Authorities Association,
1 Queen Anne's Gate, SW1

Museum charges

From Mr Peter Tray.

Sir, Mr G.R. Nicholas makes the eminently reasonable point (Letters, July 1) that museum charges are normal in most west European countries. But you pay in the Soviet Union too – and even in Albania.

Peter Tray,
Perestroika,
683 High Road, N12

The duty is to the client

From Ms Lesley Renwoize.

Sir, Mr Bird (Letters, June 24) argues that the individual investor should be able to buy unit trusts free of the 3 per cent additional charge paid by way of commission to intermediaries. This argument makes a powerful case for abolishing all forms of front-end commission on savings products, whether unit trusts, insurance products, or otherwise. The intermediary should be encouraged to seek his remuneration by way of a fee, specifically related to the advisory skills required. Such a fee would reflect the hours spent, rather than the transaction's size.

Lawyers, accountants, and other true professionals recognise that their only duty is to their client; and any commissions earned must be rebated to the client. The financial service industry will never be able to claim the status of true professionalism until it matches this example of best practice. The change would mark the logical out-turn of polarisation; the customer could make a genuine choice between the salesman's patter and the independent and wide-ranging advice of an adviser.

Lesley Renwoize,
Investment Trusts,
16 Finsbury Circus, EC2

More than mere code

From Mr Richard Henderson.

Sir, Miss Fiona Gaskin asserts (July 3) that "the understanding of the grammar of one's native tongue" makes "an enormous contribution" to the efficient mastery of another. It is difficult to disagree. She implies, however, that the formal teaching of grammar is a useful, or indeed an essential, contribution to this necessary understanding. Here I must take issue.

At one level the proposition is transparently false. The ability to speak or write one's first language reasonably grammatically must depend on an understanding (of sorts) of that grammar. This precedes the formal learning of grammar, which is in fact only a codification of what is already known.

The real question is whether this codification (the process of being able to put names to grammatical phenomena and repeat rules about them) is of any help in learning other languages. I believe it is not.

Having received a very few years of formal education in England, I had the good fortune to move to Scotland, where the teaching of grammar is (or at least was in the 1950s) taken much more seriously. The result was that not in one country, I had already largely missed it in the other. For those in my position, knowledge of grammar must be based upon the firm foundations of observation, and not on sets of easily-forgotten and unreliable rules. In my case, the result has been an interest in the structure of language and languages, which I believe is more helpful than being able to state what a participle is.

Richard Henderson,
20 Tamar House,
12 Tavistock Place, WC1

Capped by logic

From Mr R.D. Garvin.

Sir, The current ballyhoo about the cap on pensionable earnings is unfortunate. I sympathise about the illogicality of linking any such cap to prices, but I believe the National Association of Pension Funds is partly to blame for the mess.

It is frequently overlooked that whatever money goes into a pension scheme must come out sooner or later and, with the exception of certain lump sum benefits, the money coming out of pension schemes is subject to tax. Thus, save for the lump sums – pension schemes do not let individuals or corporations avoid tax.

I believe that the NAPF should have taken the initiative to rid pension schemes of what the Chancellor referred to as the anomalous but much-loved tax-free lump sum. If this anomaly had been removed, the occupational pensions movement could now argue confidently that pension schemes do not enable individuals or corporations to avoid tax. Then again, removal of the anomalous retirement lump sum would adversely affect the Whitehall mandarins whose support would be required to implement the change.

R.D. Garvin,
Garvin & Co,
47 Rodney Close,
Redditch, Worcestershire

Getting what you pay for

From Mr. N.G. Prowse

Sir, Mr Bird (Letters, June 24) should have a look at investment trust savings plans, some of which allow remuneration to intermediaries and have lower charges for direct purchasers exactly along the lines he advocates.

Plans that work this way (including ours) enable commissions to be paid to intermediaries out of the amount put up by their clients at any rate up to 3 per cent, as agreed between them, in addition to the manager's standard costs for all purchases in the plan.

The rationale behind this is that investment advice is a valuable service for those who need it. Under the Financial Services Act investment trust managers cannot provide advice to the general public. Advisers who do provide it deserve to be remunerated.

Such investment trust plans are set up in the way that Mr Bird is looking for. Those who need independent advice can get it but pay for it; those who do not need advice can buy the shares from the manager at a lower cost without paying for something they do not want.

Nicholas Prowse,
Fleming Investment Trust,
Management Limited,
25 Copthall Avenue, EC2

Conservation in the City

From Jennifer M. Freeman.

Sir, Colin Amery's article (June 12) rightly emphasises the curious nature of the Inspector's Report on the No. 1 Poultry appeal in the City of London.

The redevelopment proposals involving eight listed buildings and others within the Bank conservation area appear to have been judged solely on the basis of their acceptability to the Inspector personally, regardless of the views of official bodies including the City Corporation and English Heritage, voluntary organisations and others involved in the planning system.

At the public inquiry it was amply demonstrated that the Palumbo/Stirling proposals enjoyed only minimal support, nearly all of it derived from bodies which generally uphold the cause of modern architecture, and from those with commercial or other links with the developer's own interests and enterprises.

Surely the decision on the 1984 Mansion House inquiry meant no more than that it was open to the appellants to make a case, if they could, for the demolition of the listed buildings under the relevant criteria and statutory provisions enshrined in circular 8/87?

Moreover, the presumption in favour of the listed buildings is reinforced in this conservation area by the policies in the City Corporation's own local plan. The Secretary of State has endorsed the preparation of local plans, and asked his inspectors to take full account of them in deciding planning appeals. That does not seem to have happened in this case. Why not?

Jennifer M. Freeman,
8 Kensington Gate, W8

Women at work

From Mrs Marion Mycock.

Sir, David Thomas writes (June 22) about the recruitment of graduates and their unsuitability for certain jobs. It appears that only a few companies are gearing themselves towards the (suggested) shortage of people to fill jobs in the 1990s. One of the ways to overcome this will be to re-employ married women, or at least try to hold on to those women presently at work.

I have been employed by the same company for 25 years. I took maternity leave, but when I returned to my job it had been allocated to someone else (male) of a lesser grade. I was asked to take the lower grade position. I stood my ground and have now been reinstated.

I had to fight a long battle to retain what was legally mine. I am convinced that mine cannot be an isolated case, and that every day women are mistreated by employers in this way. If there is going to be a shortfall of personnel, as predicted, a higher proportion of companies will have to be more understanding if they are to retain their present staff. Come the 1990s, the recruitment of housewives with experience in the commercial market will be the norm.

Marion Mycock,
20 Heath House Lane,
Stoke on Trent.

Newgateway raids the Gateway market

By Nikki Tait

NEWGATEWAY, the vehicle through which Wasserstein Perella and Great Atlantic and Pacific Tea Company are making their £2.15bn recommended bid for Gateway, yesterday stepped up the pressure in the hotly-contested battle for control of the UK food retail group by launching a market raid on its target's shares.

By the close, SEAQ trading volume stood at just under 300m shares, excluding a mis-reported trade.

Newgateway already held just over 10 per cent of Gateway and yesterday afternoon confirmed that it had now passed the 30 per cent level.

All the latest shares were purchased at 242p, the value of Newgateway's cash-only offer.

Because the US bidders now own over 30 per cent of Gateway, the offer is being made under Rule 9 of the Takeover Code. This means that its only condition for success is that Newgateway passes 50 per cent.

Last night, Newgateway's advisers said they were very pleased with the result of yesterday's raid. There was some surprise earlier in the week when Newgateway refrained from making market purchases, but the US camp maintained yesterday that it had wanted to see some institutions first. This, it argued, helped to ensure a successful bout of market purchasing, rather than a more lukewarm response.

Of the three largest institutional shareholders, Phillips and Drew Fund Management, holding around six per cent of the food retail group's equity, is understood to have sold in yesterday's raid. But both the Prudential, with four per cent, and M&G, also with around six per cent, are thought to have retained their holdings.

However, yesterday's raid was taken calmly by Isosceles, the rival UK bidder for the food retail group. "We're sitting in the same position as we were on Thursday night," commented Mr David Smith, Isosceles' chief executive. "This doesn't change it at all".

Isosceles maintains that it was always certain shareholders who would sell out for cash, and argues that Newgateway would not have made a market raid now had it been confident of success via acceptances.

The UK bidder stressed that it intended to fight on, arguing the value of its cash and paper alternative, until its final close next Friday.

Isosceles also said that the fact that, if it did pass 50 per cent, Newgateway would hold over 25 per cent of Gateway'sshares, did not pose any problems. A 25 per cent-plus shareholder has a degree of "negative power" in that it can block any special resolutions. "I can assure you, that doesn't give our funding institutions any problem at all," said Mr Smith.

See Lex

Glamar expands handbag activity

By John Thornhill

MR STEPHEN BARKER, the former managing director of Albert Fisher, is blazing the acquisition trail at Glamar Group, the small Leeds-based hosiery supplier where he staged a management buy-in this March.

Glamar announced yesterday that it was buying Symphony International, a handbag and luggage distributor, for £12.45m in cash and shares. Glamar is also to raise £17m through a one-for-one rights issue at 165p per share to finance the acquisition and provide additional working capital.

The company's shares were suspended at 188p, pending shareholders' approval of the reorganisation which will more than double Glamar's share capital.

Symphony, based in Leicester, imports a range of handbags, luggage, purses, sports bags and umbrellas, and distributes them to a wide number of wholesalers and retailers including C&A, Gateway, Tesco and Woolworth.

About 86 per cent of its products are imported, and half of them are sourced from China. Mr Barker said the current problems there had not disrupted Symphony's supplies and he did not expect any difficulties in obtaining next year's lines.

In the year to March 31 Symphony recorded pre-tax profits of £1.6m on sales down by about 7 per cent to £7.6m. Symphony's directors said that decline was due to mergers in the stores sector which had resulted in lower stocking levels. However, the company reported that sales in April and May this year had been ahead of the previous year.

The pro-forma net assets of Symphony at the time of the proposed acquisition are expected to be £4m. The vendor is Dwek Group, the leisurewear and furniture group which went private last year. It will receive £10.45m in cash and 1.19m Glamar shares.

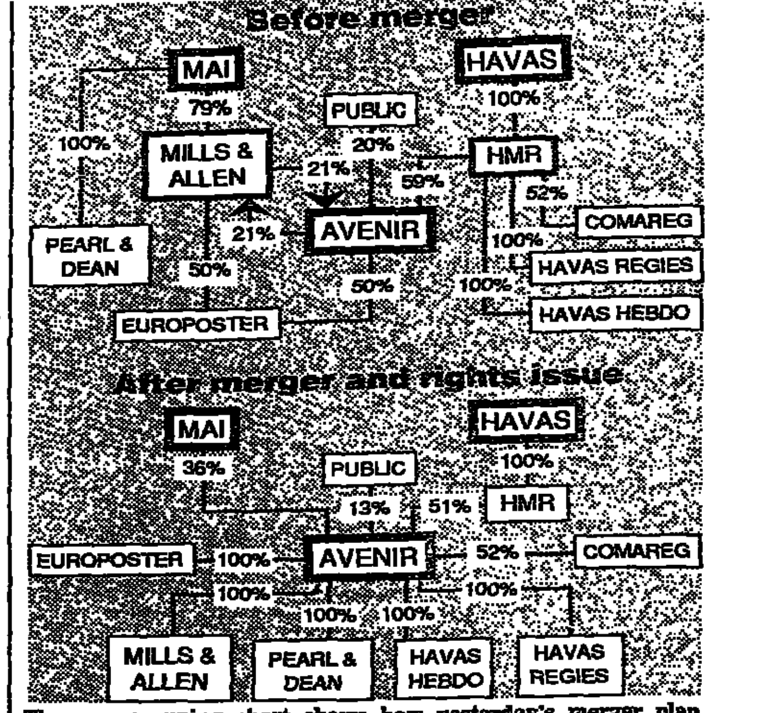
This acquisition, which follows the purchase of Triad Leather in May for £2.4m, will establish Glamar as one of the UK's largest distributors of handbags and luggage and is in line with Mr Barker's strategy of consolidating what he claims are traditionally fragmented markets.

Of the 10.32m new shares to be issued, Glamar's directors and certain other shareholders have agreed to take up 847,958. About 4.32m shares, 41.8 per cent of the total, have also been placed with a wide range of institutions at a premium of 3p per share. Barclays de Zoete Wedd is underwriting the rest.

Mr Barker said he would continue to look for add-on acquisitions in this country in the short term but would then look to expand into continental Europe.

"Symphony exports about 15 per cent of its products into Europe and this will give us some idea of market conditions there," he said.

In May, Glamar reported a pre-tax loss of £164,000 for the year to March 31 because of the loss of a major customer and delays in launching a new range of tights. Yesterday the company said it intended to resume its dividend payment this year in the absence of unforeseen circumstances and subject to satisfactory profits.



The accompanying chart shows how yesterday's merger plan will transform the corporate structure of the media activities of MAI and Havas. After the conclusion of the deal and the £45m rights issue, the public will be left with a 13 per cent interest, while Havas will have 51 per cent and MAI 36 per cent.

LIT departure after strategy differences

By Nikki Tait

MR MICHAEL MIDDLEMAS is resigning as chief executive of LIT Holdings, the transatlantic financial services group which he joined in October 1987.

Mr John Botts, the former Citicorp executive who now runs a small investment banking business, will move from being non-executive chairman to become executive chairman. In the meantime, Mr David Vogel remains responsible for the company's futures and securities operations in the US; Mr Geoffrey Chamberlain for these activities in the UK; and Mr Charles Fry takes on responsibility for the financial services operations in the UK.

Mr Botts became chairman in January 1988, shortly after Mr Middlemas was appointed. Mr Christopher Castleman, formerly chief of Hill Samuel and – briefly – Blue Arrow, is also joining the LIT board as a non-executive director.

Yesterday, Mr Botts was unavailable to comment on Mr Middlemas' departure. Fending calls, the company's advisers, Morgan Grenfell, conceded that there had been "differences of view over where the group should go" but denied that there had been "an enormous row or personal differences."

They declined to elaborate on any difference of strategy. However, the statement from LIT said that, while the company intends to review acquisition opportunities in the UK and US, the emphasis would be placed on the development of existing operations.

The advisers said they had no information on what payment might be made to Mr Middlemas. Last year, he earned £246,000. He is resigning with effect from August 1 to develop other interests.

LIT shares fell 11p to 121p on the news.

Quotient position deteriorates

By Clare Pearson

SHAREHOLDERS in Quotient must brace themselves for a loss this year as demand from London securities houses for its software products was even more depressed than anticipated, the company said yesterday.

The shares slipped 12p to 85p on the announcement, which followed a warning at the annual meeting in May that the company would show a loss in the first half.

Analysts downgraded forecasts for the year from profits of about £1m to a loss of about £1m. Quotient said that though the second half would show a profit, it would not make up for the first-half deficit.

Mr Tim Smith, chairman, said Quotient's products were suffering from a simple case of "not enough sales, too much costs", reflecting the similar problems being faced by stockbrokers, its dominant customers. It was also being affected by delays in the introduction of Taurus, the Stock Exchange's paperless settlement system.

Nevertheless, some significant orders had been won from the Eurobond market and these, together with demand for money market and various banking products, meant the banking and capital markets division was currently profitable.

Quotient continued to receive a steady stream of takeover approaches, Mr Smith said. "But there has been nothing particularly interesting. However, we wait eagerly and are always prepared to talk."

Spanish buy for ABB Kent

By Andrew Hill

ABB KENT (Holdings) has bought a Spanish manufacturer of water meters for Pts2bn (£10.4m) in cash.

The UK group said it now challenged Schlumberger, the US oil services combine, as the world's largest maker of water meters.

"It brings us up into a very close second place," Mr John Notley, ABB Kent's chief executive, said yesterday.

ABB Kent, formerly Brown Boveri Kent, will now be able to produce some 4m units annually. Sales of water meters – used as the principal basis for water charges in most countries except the UK – will increase from 40 per cent to nearly 50 per cent of the group's total annual turnover.

The balance of the group's business comes from valves, industrial measurement and process control equipment.

ABB is buying Iberica de Contadores y Aparatos de Precision (Iberconta) from Compania Auxiliar de la Distribucion de Electricidad Cobra.

The deal takes the UK group into Spain for the first time, and gives it its own brass fabrication and foundry business in South America and Spain.

Iberconta made a net profit of Pts245m in 1988, on turnover of Pts3.9bn. It had net tangible assets of Pts1.3bn on December 31.

Some 75 per cent of Iberconta's sales are made in Spain, where it has 60 per cent of the water meter market, but the company also has sales and manufacturing affiliates in Colombia, Venezuela, Ecuador and Mexico.

"There is a very good territorial fit with the whole of our worldwide water business," said Mr Notley.

The British group, 55 per cent of which is owned by the Swiss/Swedish engineering group Asea Brown Boveri, owns meter manufacturing or sales companies in Puerto Rico, Germany, Belgium, France, Australia, South Africa and the UK.

ABB is hoping UK water authorities will switch to meters as a method of charging, after privatisation later this year. Water suppliers will be unable to use rateable value, the traditional basis for water charges, beyond the end of the century.

Hollinger lifts its United News stake to over 5%

By Raymond Snoddy

MR CONRAD Black, chairman of the Daily Telegraph company, yesterday increased his stake in United Newspapers, the publisher of the Daily and the Sunday Express, to just over 5 per cent.

The move had been expected. It was made through Hollinger, the Canadian group which owns about 82 per cent of the Daily Telegraph company and is controlled by Mr Black.

In March when Hollinger assembled a 1 per cent stake in United, the Canadian company said it had an excellent relationship with Lord Stevens, United's chairman, and wished it to remain so.

Hollinger made it clear that it planned to increase its stake in United.

The aim was to guarantee the stability of the joint printing plant venture in London's Docklands owned by the two companies and to be in a position to influence the outcome if a serious predator were to move against United.

Lord Stevens is convinced there is no way the Government would accept a Hollinger takeover of United because of the concentration of media power that would entail.

Pergamon AGB sells educational publishing arm

By Andrew Hill

Pergamon AGB, 57 per cent of which is owned by one of Mr Robert Maxwell's private vehicles, has sold the educational publishing division of one of its subsidiaries to Thomson Corporation, the international publishing group, for £17.6m.

The sale of EJ Arnold's publishing arm to Thomas Nelson, a Thomson subsidiary, is the first major disposal in a £90m programme aimed at reducing Pergamon AGB's borrowings. Arnold's stationery and educational supplies operations have been retained.

Pergamon AGB, which intends to keep its market research arm as a core business, heralded the strategy in April, when it announced a 13 per cent increase in 1988 pre-tax profits. It parallels similar disposal strategies in other parts of the Maxwell empire.

The group has already sold a small furniture manufacturer to its management for £3.1m. Eventually, most of the its professional and educational services operations are likely to go, but the recruitment division will probably be retained.

In 1988, the educational publishing activities made an operating profit of £1.7m on sales of £5.4m. Pergamon AGB said the sale would result in a £14.8m increase in the group's net assets. The assets being sold were worth £2.3m at the end of December.

Thomson Corporation was formed in March through a merger of the Thomson family's newspaper and publishing interests,Thomson Newspapers and International Thomson Organisation.

Legionella expansion by Rentokil

By Andrew Hill

RENTOKIL GROUP, best known for its pest control activities, is to expand its capacity to track down and kill legionella bacteria in air conditioning and water systems.

It is buying ABK Technical Services, an industrial water treatment company, for up to £2.25m in cash.

Rentokil's water and ventilation division is already involved in cleaning out legionella, which causes legionnaires' disease, and tackling so-called "sick building syndrome." Both problems are thought to be related to poor maintenance of water cooling or cleaning systems in offices or factories.

Mr Chris Pearce, Rentokil's finance director, said yesterday: "We're mainly in the cleaning out business, [ABK is] mainly in the routine testing and checking of water systems."

ABK offers a range of industrial water treatment services. It also supplies water treatment chemicals, and designs, supplies and commissions water treatment equipment.

"It's wider than just offices, it includes anyone who has water systems – process plant businesses, hotels and so on," said Mr Pearce.

In the past, ABK has concentrated on the Midlands, north of England and Scotland, almost doubling its turnover in the past three years to £2m, generating profit of £265,000.

Rentokil said that once ABK was integrated with the water and ventilation operation, the division would be expanded organically, helped by strong marketing of a wider range of water treatment services.

The group will pay £1.25m for ABK initially with a further £1m dependent on the Manchester group's results in the year to September 30, 1989.

TR Energy considers proposals

By Nikki Tait

TR Energy, the troubled oil and gas investment company, said yesterday that it was considering proposals for its future.

Last night, the company's manager, Energy Management & Finance, declined to elaborate other than to indicate that there was more than one proposal and that one had been received from Henry Ansbacher Group, the merchant banking and financial services company.

Ansbacher, meanwhile, disclosed that it had raised its stake in TR Energy to 10.17 per cent. EMF said the Ansbacher stake was previously about 5 per cent. No one at Ansbacher was available for comment.

TR Energy has been the subject of persistent shareholder criticism in recent years, because of the losses incurred.

Yesterday's news lifted the shares 3p to 21p, capitalising the company at £18.2m.

Acquisitive Misys makes £1.6m software purchase

By Alan Cane

MISYS, the fast-growing computing services company, has made its fourth acquisition in two months and the eighth in the past two years.

Yesterday it acquired the whole of the share capital of Enterprise, a software house specialising in programs for Digital Equipment (DEC) computers, for £1.58m cash.

Enterprise, based in Thames Ditton, Surrey, specialises in computer systems for the manufacturing industry. Its software is used for the management of manufacturing processes in companies such as Marley Building Products, Racal Electronics and Dowty International Systems. It turned over £2.23m in 1989 with pre-tax profits of £286,000.

Misys has recently been restructured into four divisions – financial services, business systems, computer solutions (which will take in Enterprise), and open systems.

Coulson Heron Associates (CHA), a Misys subsidiary, is a DEC software house and one of only 14 DEC authorised solution providers in the UK. CHA and Enterprise will form the basis of Misys' expansion in DEC systems.

Misys has already considerable strengths in open systems through its acquisition of companies with expertise in Unix systems.

Australian offshoot sales raise £15.6m for Panfida

By Philip Coggan

PANFIDA GROUP, the retail and property company, has reached agreement on the sale of the major part of its Australian foods business for A$33m (£15.6m) to a management buy-out consortium.

The businesses being sold are held by Panfida Foods, its 67.5 per cent-owned subsidiary. They are Biskex, a breakfast cereal manufacturer; Croissant de Paris, a bakery; and a 50 per cent shareholding in Auto-Bake, which operates the Cookieman franchise. The consortium will also acquire the Willow Valley brand name.

Mr Geoff Jureidini, the managing director of Panfida Foods, is leading the consortium, which is being financed by the State Bank of South Australia. Panfida Foods will take a 25 per cent stake in the MBO company.

The sales are being made to reduce debt at Panfida, which merged with Investing in Success last year. The company launched a £9.1m rights issue to reduce debt in June and warned that the group would incur losses in the nine months to June 30.

Further asset sales are expected.

COMPANY NEWS DIGEST

Evans of Leeds rises to £7.12m

EVANS OF Leeds, the property investor and developer, increased profits by 13 per cent in the year to March 31. At the taxable level profits advanced from £6.31m to £7.12m.

Gross rental income moved up to £11.61m (£10.51m) while property expenses increased to £1.12m (£417,000). The sale and development of properties realised £1.42m (£178,000) and interest took £3.53m (£2.87m). Earnings rose to 13.8p (12.4p) and the proposed final dividend is 4p (3.5p) for a total of 6.15p (5.5p).

There was an extraordinary profit of £6.9m (£1.02m).

The company said that during the year its bankers agreed to make £60m available to finance developments and property purchases.

Real Time profits halved to £0.27m

Real Time Control, maker of computer systems and terminals, finished the year ended March 31 1989 with pre-tax profits halved from £553,000 to £272,000, and has decided against a dividend.

Turnover was held at £3.8m (£3.74m) but operating profit fell to £77,000 (£368,000). Earnings were 1.4p, compared with 5p last time when a dividend of 2p was paid.

Advances were made in the UK electronic point of sale business and would be enhanced by the acquisition of Applied Retail Technology. Performance in the US was disappointing, which, together with a volume reduction in keyboard manufacturing, had hit both turnover and profit for the period.

Burtonwood 27% ahead at £3.73m

Burtonwood Brewery, the Cheshire-based brewer formed some 120 years ago and headed by chairman Mr Graeme Dutton-Forshaw, returned profits of £3.73m pre-tax for the year to end-March, an improvement of 27 per cent over the previous year's £2.93m.

Turnover for the group, which acquired 21 tenanted pubs from Mansfield Brewery for £3.2m in cash earlier this year, pushed ahead from £31.83m to £35.4m.

Earnings worked through 2.2p higher at 11.5p and a proposed final dividend of 2.85p raises the total from 3.16p to 3.55p per 25p share.

An extraordinary gain of £142,000 (nil) related to a profit on the sale by the brewer's 50 per cent associate, Coinwood Leisure, of its amusement arcades and single site fruit machines.

Substantial growth at Tops Estates

Substantial growth in profits, net assets and shareholders' dividend is reported by Tops Estates for the year ended March 31 1989.

The acquisition of Corby Town Centre since the year-end has helped push up the value of the group's property assets from £127.4m to a current £165m, indicating shareholders' funds of some £95m.

This purchase represented an outstanding opportunity for development and capital growth, and the proposed theme park, WonderWorld, would be a major boost to the area, the directors said.

In 1988-89 rental income rose to £5.07m (£3.24m) and pre-tax profit came through at £1.2m (£766,000). With earnings up 1p to 2.6p, the dividend is lifted 50 per cent to 1.5p.

Net assets at the year-end were £83.22m (£54.77m).

Printech seeks cash for development

Printech International, the Dublin-based manufacturer of technical manuals, is to raise I£5.66m, or £4.94m, in a one-for-five rights issue. A total of 4.89m new ordinary shares will be offered at 120p each.

The USM-quoted company said that the cash call was to continue the on-going development programme involving both capital expenditure and growth by acquisition. The company aims to become a world supplier of technical manuals and related products and services for the computer hardware and software industries.

Joseph Hoyle & Son tumbles to £0.19m

Joseph Hoyle & Son, the woollen spinner and cloth manufacturer owned by Lister & Co, saw its pre-tax profits tumble from £558,083 to £189,704 in the year to March 25. Turnover slipped from £7.66m to £7.3m.

Tax took £67,088 (£156,876), leaving earnings down at 14.89p (49.71p) per share. There is a dividend of 15p.

Stainless Metalcraft £0.2m in loss

Stainless Metalcraft, which cut its dividend for the 1987-88 year from 4.5p to 2p, is also omitting its interim payment for 1988-89.

This follows a further decline in the company's fortunes in the half year to end-February. Losses for the period totalled £215,000 pre-tax compared with profits of £115,000 – an interim of 2p was paid previously.

The USM company, which manufactures precision equipment and components for the medical, aerospace, electricity generation and nuclear industries, said its order outlook for the second half remained flat but that the benefits of reorganisation should be seen as orders were converted into sales in 1988-89.

Whinney up to £0.79m

WHINNEY Mackay-Lewis, the architect and project management consultant, lifted pre-tax profits from £740,000 to £786,000 in the year to April 30. Turnover rose 12 per cent from £5.74m to £6.4m.

At the operating level profits at this USM-quoted company were £1.23m (£1.06m) with interest payable amounting to £446,000 (£318,000).

Earnings climbed to 9p (8.1p) per share, after tax £2,000 higher at £309,000. The directors have proposed raising the final dividend to 3p (2.7p) for a total of 4.6p (4.3p) for the year.

Mr Jeremy Mackay-Lewis, chairman, said that the current year had started encouragingly with both major subsidiaries busy with new work.

Herrburger Brooks

Herrburger Brooks, the piano parts and office furniture manufacturer, said that the bid approach it revealed on Wednesday was at the then prevailing market level - around 225p.

Following Wednesday's announcement, the shares leapt 130p to 375p on Thursday but fell to 275p yesterday.

COMPANY NEWS DIGEST

BERRY BIRCH and Noble: Mr Derek Perry, chief executive, told the annual meeting that the group had returned to profitable trading in first quarter. "Action taken by the management had begun to turn the tide", he added.

CAMBRIDGE INSTRUMENTS, a subsidiary of The Cambridge Instrument Company, has sold its semiconductor crystal growth and processing equipment business to MR Semicon, a newly-formed division of Special Gas Controls.

COURTNEY POPE is selling its premises at Amhurst Park works for £3.26m, which will initially be applied towards reducing borrowings. The property comprises some three acres in South Tottenham and includes the present head office of the group.

EUROPA MINERALS is taking a stake of up to 16 per cent in Cipango Gold, a private company which has three US exploration projects in Nevada and Arizona. Europa is selling to Cipango its 50 per cent interest in the Hecla Mining Company joint venture.

EXPAMET has sold its 18.5 acre site at Hartlepool for £4.55m and arranged leaseback for 25 years at current £500,000 annually.

FLEMING AMERICAN Investment Trust: Net asset value per 25p share 190.7p (154p) at end-June 1989. Net revenue for the half year to June 30 was £475,000 (£243,000) after tax of £481,000 (£205,000). Earnings 0.96p (0.34p) and interim dividend 0.5p (0.33p).

HARTWELL has received acceptances for its 35.01m convertible preference rights issue at £1 each in respect of 14.87m (42.5 per cent). The balance will be taken up by sub-underwriters.

HUGHES (HT), waste management company, has acquired the waste disposal interests of Thomas Hirst & Son of Farnborough, Hampshire for £329,000.

MOLINARE VISIONS: WH Smith owns or has received acceptances for 25.84m shares (94.4 per cent).

NO PROBES: the acquisitions by EI Du Pont De Nemours of the Howson-Algraphy division of Vickers, by Pavilion Leisure of Parkdale, by Doctus of Prospective Group and by Costain Group of Pyro Energy Corporation are not being referred to the Monopolies Commission.

POWERSCREEN INTERNATIONAL: Invoiced sales for three main operating companies were up by more than 40 per cent in first three months of current year, Mr Pat Dougan, chairman, told AGM. The order book for the next six months was solid.

PROPERTY COMPANY of London: acceptances of the offer by Lodge Care accepted for 12.14m shares (92.6 per cent).

PROSPECTIVE GROUP: Holders representing 39.49m ordinary shares (85.51 per cent) have accepted the offer from Doctus, which is now unconditional.

RACAL TELECOM: Sir Ernest Harrison, chairman, told annual meeting that the Vodafone cellular radio service would add another 150,000 subscribers in the present year. At the end of the previous year there were 300,000 subscribers. Capital spending of over £120m was planned to meet the expansion.

SMITH (WH) is buying Sandhurst Marketing, an office supply business, from Tootal Group for £4.38m cash. Net assets being acquired include the assumption of about £12m associated external borrowings. On sales of £35.4m in the year to March 31 Sandhurst's losses were £900,000.

Sir Ernest Harrison: another 150,000 subscribers this year

TANJONG TIN Dredging: Estimated profit before tax and exchange adjustments for 1988 was £32,700 (£24,600 loss) on total income of £96,200 (£32,500).

THROGMORTON TRUST: At May 31, NAV (prior charges deducted at par value, loan stock not converted) 114.06p (104.79p); NAV (prior charges deducted at par value, loan stock converted) 113.23p (104.79p); NAV (prior charges deducted at par value, loan stock converted and all warrants exercised) 108.01p (99.33p). Earnings 1.23p (1.25p) for six months to May 31. Interim dividend 0.8p (same adjusted).

TRIMOCO has warned shareholders that vehicle sales are slowing down, and expects to see pressure on volumes and margins after the August registration peak. A "more modest growth" in profits is predicted.

T & S STORES: In respect of the recent rights issue; of the 45.72m new ordinary allotted, 33.68m shares (73.7 per cent) have been taken up.

WADDINGTON is to invest £15m in building and new equipment for a 275,000 sq ft factory for its Waddingtons Cartons manufacturing subsidiary.

WEMBLEY is proposing to holders of Juliana's convertible loan stock that the holdings be transferred on the basis of 85p nominal of new Wembley convertible loan stock or 80p cash for each 100p nominal of stock.

WICKES has sold two divisions of its subsidiary Hunter Timber (UK) to their managements. Fitchett & Woollacott fetched £6m, and Whitmore's Timber Company £2.77m.

WYNDHAM GROUP is acquiring a modern freehold warehouse of 6,900 sq ft in Plymouth and other properties in Sussex for £1.18m to be satisfied by the issue of 81,845 ordinary shares at 336p per share and £900,000 cash. The vendors are Plymouth and Exeter Properties and Oakburn Properties.

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MARKET STATISTICS

BANK RETURN

BANKING DEPARTMENT	Wednesday July 5, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		—
Public Deposits	97,036,372	+	3,595,303
Bankers Deposits	1,275,075,580	-	58,324,248
Reserve and other Accounts	2,095,763,718	+	78,484,060
	3,482,428,650	+	23,755,115
ASSETS			
Government Securities	1,138,858,529	+	216,480,000
Advance and other Accounts	993,942,351	+	171,493,087
Premises Equipment & other Secs	1,338,748,251	-	362,524,040
Notes	10,654,354	-	1,679,621
Coin	227,165	-	14,261
	3,482,428,650	+	23,755,115
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	14,859,345,646	+	121,679,621
Notes in Banking Department	10,654,354	-	1,679,621
	14,870,000,000	+	120,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	13,556,889,602	-	471,043,264
Other Securities	1,302,095,298	+	591,043,264
	14,870,000,000	+	120,000,000

ECONOMIC DIARY

TODAY: National docks strike threatened. Mr Carlos Menem, Peronist leader, takes presidency of Argentina from Mr Raul Alfonsin.
TOMORROW: US President Mr George Bush starts three-day visit to Poland. Philippines President Mrs Cory Aquino starts two-day visit to West Germany.
MONDAY: Train drivers' union (ASLEF) begins industrial action. *President Museveni of Uganda starts visit to UK (until July 13).* Quality in Television report published. Association of Metropolitan Authorities environment conference opens, Newcastle upon Tyne (until July 12). EC social affairs ministers informal meeting, Auxerre. ECO/FIN Council meets, Brussels. Financial Times conference on telecommunications and the European business market, London. June provisional producer price index numbers.
TUESDAY: Local government *union (NALGO) starts two-day* town hall strike. President Bush visits Hungary (until July 13). EC foreign ministers' political co-operation meeting, Paris. President Aquino starts two-day visit to France.
WEDNESDAY: National rail and London Underground strikes. *Dealings open after Abbey* National flotation. Bank of England publishes second quarter analysis of bank advances. ECO/SOC two-day plenary session opens in Brussels.
THURSDAY: Department of Employment publishes labour market statistics: June provisional *unemployment and vacancies;* May provisional average earnings indices; employment, hours, productivity, and unit wage costs; industrial disputes. United Kingdom Transplant Service two-day annual conference opens, Bristol. House of Commons Social Services Committee statement on *AIDS report. National Gallery* annual report published. Post Office publishes 1992 students survey. Mr Kenneth Baker, Education Secretary, gives Redcliffe-Maud memorial lecture, Church House, Westminster.
FRIDAY: Economic summit of non-communist world's seven *most industrialised countries,* Paris (until July 16). National Federation of Consumer Groups conference opens in Edinburgh (until July 16). 200th anniversary of the storming of the Bastille. June figures for usable steel production. Index of output of the production industries for May. Tax and price index for June. June retail prices index. US figures for retail sales; producer prices; industrial production; and capacity utilisation.

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 53,939
A=Ask B=Bid C=Call P=Put

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Jul 7 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Jul 6 Index No.	Wed Jul 5 Index No.	Tue Jul 4 Index No.	Year ago (approx.) Index No.	1989 High		1989 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (206)	967.85	+0.9	10.96	4.13	11.21	15.85	959.67	958.39	959.54	809.45	1005.51	19/5	775.54	3/1	1058.07	16/7/87	50.71	13/12/74
2	Building Materials (29)	1188.06	+0.7	12.18	4.44	10.12	25.70	1180.20	1187.92	1185.34	1030.70	1287.14	19/5	939.06	3/1	1383.08	16/7/87	44.27	11/12/74
3	Contracting, Construction (37)	1636.68	+0.9	14.36	4.29	9.13	32.37	1622.61	1615.15	1610.61	1589.52	1801.66	14/3	1468.31	3/1	1951.50	16/7/87	71.48	2/12/74
4	Electricals (9)	2827.72	+0.5	8.44	4.07	14.62	50.60	2818.65	2827.30	2847.12	2129.88	2951.80	19/5	2294.38	3/1	2951.80	19/5/89	84.71	25/6/62
5	Electronics (30)	2230.51	+1.6	8.86	3.32	14.74	23.92	2196.28	2179.63	2191.26	1757.47	2308.22	19/5	1776.44	3/1	2308.22	19/5/89	1229.31	8/10/85
6	Mechanical Engineering (55)	536.34	+0.7	9.95	3.97	12.37	8.48	532.45	531.06	531.18	424.95	536.60	19/5	406.34	3/1	544.57	14/10/87	45.43	5/1/75
8	Metals and Metal Forming (6)	517.27	+0.7	19.78	5.75	5.55	3.02	513.59	511.40	513.04	505.00	562.47	19/5	452.62	3/1	596.67	9/10/87	49.65	6/1/75
9	Motors (17)	338.52	+1.1	11.20	4.59	10.48	6.83	326.92	326.17	325.69	286.28	338.52	7/7	250.24	3/1	411.42	13/10/87	19.91	6/1/75
10	Other Industrial Materials (23)	1649.47	+0.3	9.21	4.23	12.97	30.21	1644.39	1647.38	1650.63	1338.77	1674.29	19/5	1311.63	3/1	1734.80	22/9/87	277.55	15/1/81
21	CONSUMER GROUP (187)	1255.63	+1.2	8.79	3.59	14.23	19.18	1240.78	1237.92	1240.18	1105.83	1255.63	7/7	1016.74	3/1	1406.32	16/7/87	61.41	13/12/74
22	Brewers and Distillers (22)	1368.95	+0.8	9.75	3.57	12.83	19.65	1357.78	1356.48	1357.85	1132.98	1368.95	7/7	1112.42	3/1	1368.95	7/7/89	69.47	13/12/74
25	Food Manufacturing (20)	1145.40	+1.6	8.87	3.65	14.11	18.43	1127.76	1111.12	1109.02	1002.43	1145.40	7/7	926.04	3/1	1145.40	7/7/89	59.67	11/12/74
26	Food Retailing (15)	2395.82	+0.8	8.68	3.19	15.22	25.59	2377.14	2353.03	2355.16	2029.99	2399.73	22/6	1784.64	3/1	2649.96	16/7/87	54.25	11/12/74
27	Health and Household (14)	2268.40	+1.7	6.56	2.63	17.30	22.08	2223.40	2241.74	2254.29	1885.27	2328.78	19/5	1778.28	3/1	2699.85	16/7/87	175.38	28/5/80
29	Leisure (33)	1676.88	+1.3	7.41	3.30	16.90	28.79	1654.70	1655.36	1659.42	1348.12	1783.94	19/5	1346.22	3/1	1783.94	19/5/89	54.83	9/1/75
31	Packaging & Paper (15)	569.03	+0.2	10.25	4.31	12.36	8.30	567.81	567.24	570.14	537.88	607.36	8/2	523.08	3/1	739.48	16/7/87	43.46	6/1/75
32	Publishing & Printing (19)	3573.12	+0.9	6.70	4.65	14.74	71.88	3539.81	3521.54	3534.03	3544.13	3916.24	8/2	3234.76	4/1	5070.66	5/10/87	55.08	6/1/75
34	Stores (34)	827.86	+1.3	10.95	4.35	11.95	16.19	817.37	817.95	818.27	806.68	848.70	19/5	679.97	3/1	1160.58	29/7/87	52.63	6/1/75
35	Textiles (15)	544.67	+0.6	10.92	5.32	10.95	14.97	541.61	541.34	543.18	614.33	548.22	19/5	464.58	[illegible]	914.52	2/10/87	62.66	11/12/74
40	OTHER GROUPS (93)	1129.07	+1.3	10.10	4.17	12.05	14.44	1114.32	1113.87	1116.46	916.98	1149.32	27/6	896.15	3/1	1192.48	8/10/87	50.63	6/1/75
41	Agencies (17)	1376.30	+1.8	7.29	2.38	16.98	15.02	1352.53	1358.98	1372.79	1193.61	1424.93	30/5	1030.84	3/1	1795.57	17/7/87	870.35	4/12/87
42	Chemicals (22)	1278.06	+1.4	11.13	4.70	10.60	26.60	1260.75	1275.84	1282.54	1096.91	1325.86	27/6	1026.37	3/1	1545.46	5/10/87	71.20	1/12/74
43	Conglomerates (13)	1672.02	+0.6	10.08	4.86	11.69	26.22	1661.26	1659.31	1656.41	1227.15	1672.02	7/7	1254.94	3/1	1672.02	7/7/89	975.19	18/11/87
45	Transport (13)	2477.06	+0.8	8.48	3.64	15.32	39.22	2458.54	2454.18	2460.98	1900.56	2509.08	30/5	1836.25	4/1	2509.08	30/5/89	90.80	29/6/62
47	Telephone Networks (2)	1074.44	+1.3	11.61	4.62	11.17	2.76	1060.83	1053.49	1059.33	996.71	1179.42	18/5	1002.45	3/1	1274.14	9/6/87	517.92	30/11/84
48	Miscellaneous (26)	1706.84	+2.2	9.39	3.49	12.10	23.85	1669.91	1662.96	1656.51	1195.55	1708.53	19/6	1183.56	5/1	1773.78	5/10/87	60.39	6/7/75
49	INDUSTRIAL GROUP (486)	1165.48	+1.1	9.75	3.98	12.65	17.33	1152.33	1150.63	1152.70	989.76	1177.78	19/5	935.74	3/1	1268.86	16/7/87	59.01	13/12/74
51	Oil & Gas (14)	2117.19	+1.0	10.83	5.28	13.24	52.83	2095.78	2107.29	2139.92	1859.72	2255.12	28/6	1725.48	[illegible]	2458.68	16/7/87	87.23	29/5/62
59	500 SHARE INDEX (500)	1246.12	+1.1	9.79	4.09	12.73	20.18	1232.25	1231.58	1236.04	1063.47	1252.24	19/5	1002.81	3/1	1369.88	16/7/87	63.49	13/12/74
61	FINANCIAL GROUP (124)	739.39	+1.2	–	5.34	–	17.86	730.43	738.23	733.49	715.35	776.56	8/2	670.86	3/1	896.67	13/10/87	55.88	13/12/74
62	Banks (8)	726.11	+2.1	24.32	6.61	5.40	21.71	710.92	715.84	721.37	685.13	788.44	8/2	657.74	3/1	898.38	16/7/87	62.44	12/12/74
65	Insurance (Life) (8)	1097.12	+1.3	–	5.44	–	29.86	1082.96	1078.88	1073.42	1076.52	1121.53	23/3	933.96	5/1	1285.72	9/10/87	44.88	2/1/75
66	Insurance (Composite) (7)	577.35	+0.6	–	6.23	–	16.75	573.99	576.82	577.61	557.38	611.64	8/2	528.72	3/1	707.58	13/10/87	43.96	13/12/74
67	Insurance (Brokers) (7)	956.22	+0.1	7.90	6.49	17.03	31.63	954.97	954.27	962.22	1012.55	1071.22	8/2	916.68	3/1	1399.56	17/7/87	65.86	16/12/74
68	Merchant Banks (11)	334.52	+0.5	–	4.64	–	7.30	332.70	330.90	331.49	355.15	354.66	15/2	318.05	3/1	547.59	12/10/87	31.21	7/1/75
69	Property (52)	1326.54	+1.1	6.27	2.91	20.32	16.19	1312.57	1304.56	1311.57	1230.81	1352.49	14/3	1198.13	3/1	1374.86	16/7/87	56.01	20/4/65
70	Other Financial (31)	362.48	+0.1	11.73	6.06	10.88	8.59	362.19	359.50	360.95	398.11	391.49	8/2	342.99	3/1	603.48	16/7/87	33.29	17/12/74
71	Investment Trusts (69)	1164.50	+0.5	–	2.81	–	14.72	1158.98	1157.14	1159.13	929.41	1178.08	19/5	922.04	3/1	1207.90	5/10/87	71.12	13/12/74
81	Mining Finance (2)	668.39	+0.8	8.43	3.84	12.91	10.45	662.96	663.05	664.96	599.73	686.92	13/3	561.50	3/1	727.93	3/8/87	66.31	30/9/74
91	Overseas Traders (8)	1348.97	+1.0	11.09	5.50	10.25	35.07	1336.27	1329.33	1330.33	1205.16	1439.44	10/2	1273.76	3/1	1447.77	7/11/88	97.37	6/1/75
99	ALL-SHARE INDEX (703)	1122.34	+1.1	–	4.23	–	19.41	1110.00	1109.36	1113.40	973.43	1131.41	19/5	921.22	3/1	1238.57	16/7/87	61.92	13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 6	Jul 5	Jul 4	Jul 3	Jun 30	Year ago	1989 High		1989 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX‡	2189.1	+27.9	2189.1	2161.8	2161.2	2162.9	2174.4	2165.6	2151.0	1877.2	2209.4	28/6	1782.8	3/1	2443.4	16/7/87	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Jul 7	Day's change %	Thu Jul 6	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.44	+0.08	117.35	–	6.41
2	5-15 years	131.77	+0.15	131.58	–	7.04
3	Over 15 years	143.17	+0.11	143.02	–	7.09
4	Irredeemables	165.00	+0.07	164.88	–	7.32
5	All stocks	129.86	+0.12	129.70	–	6.94
	Index-Linked					
6	5 years	136.69	+0.02	136.67	–	1.36
7	Over 5 years	135.04	+0.08	134.93	–	1.88
8	All stocks	135.05	+0.07	134.95	–	1.82
9	Debentures & Loans	112.94	+0.17	112.75	–	6.16
10	Preference	87.85	+0.04	87.82	–	3.20

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jul 7	Thu Jul 6	Year ago (approx.)	1989 High		1989 Low	
	British Government								
1	Low	5 years	10.05	9.98	9.46	10.39	30/12	8.88	9/2
2	Coupons	15 years	9.41	9.41	9.45	9.76	14/6	8.77	9/2
3		25 years	9.25	9.24	9.24	9.59	14/6	8.73	16/2
4	Medium	5 years	10.82	10.83	9.95	11.33	14/6	9.96	8/2
5	Coupons	15 years	9.87	9.88	9.67	10.28	14/6	9.21	8/2
6		25 years	9.45	9.45	9.41	9.81	14/6	8.85	17/2
7	High	5 years	10.94	10.95	10.03	11.44	14/6	10.13	8/2
8	Coupons	15 years	10.09	10.10	9.84	10.49	14/6	9.41	8/2
9		25 years	9.64	9.64	9.53	9.99	14/6	8.99	27/1
10	Irredeemables†		9.27	9.27	9.58	9.57	14/6	8.63	15/3
	Index-Linked								
11	Inflation rate 5%	5yrs.	3.75	3.73	2.71	4.04	2/6	3.24	9/3
12	Inflation rate 5%	Over 5 yrs.	3.68	3.68	3.90	3.84	5/6	3.44	13/3
13	Inflation rate 10%	5 yrs.	3.00	2.97	1.74	3.30	2/6	2.11	24/1
14	Inflation rate 10%	Over 5 yrs.	3.51	3.51	3.75	3.67	5/6	3.28	13/3
15	Debs &	5 years	12.05	12.49	10.85	12.56	12/4	11.47	30/12
16	Loans	15 years	11.70	11.73	10.83	11.83	11/4	11.19	1/2
17		25 years	11.35	11.31	10.83	11.38	14/6	10.66	27/2
18	Preference†		10.31	10.32	9.56	10.43	30/12	10.09	17/3

‡Opening index 2161.8; 10 am 2172.1; 11 am 2174.7; Noon 2176.7; 1 pm 2179.9; 2 pm 2179.2; 3 pm 2177.0; 3.30 pm 2179.3; 4 pm 2181.6 (a) 4.58pm (b) 9.00am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.
CONSTITUENT CHANGES: UEI (5) and Magnet (2) have been deleted. Bardon Group (2) and Barrett (Henry) (6) have been inserted. NAME CHANGES: Sun Alliance & London Insurance (66) has become Sun Alliance Group. London & Scottish Marine Oil (51) has become LASMO.

FT-ACTUARIES SHARE INDICES - QUARTERLY VALUATION

The market capitalisation of the groups and sub-sections of the FT-Actuaries Indices as at June 30, 1989 are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the two preceding quarters.

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)		Market capitalisation as at Jun.30, 1989 (£m.)	% of all share index	Market capitalisation as at Mar.31, 1989 (£m.)	% of all share index	Market capitalisation as at Dec.30, 1988 (£m.)	% of all share index
1	CAPITAL GOODS GROUP	(206)	82,103.3	19.19	81,484.5	19.63	66,942.4	18.71
2	Building materials	(30)	15,175.1	3.56	15,373.5	3.70	12,011.3	3.36
3	Contracting, Construction	(37)	7,326.7	1.71	8,034.4	1.93	6,866.0	1.92
4	Electricals	(9)	3,281.5	0.77	3,481.3	0.84	2,854.0	0.80
5	Electronics	(30)	18,185.2	4.25	17,422.7	4.20	14,603.6	4.08
6	Mechanical Engineering	(54)	14,689.3	3.43	13,930.8	3.36	11,369.7	3.18
8	Metals and Metal Forming	(6)	4,381.8	1.02	4,883.2	1.18	4,096.3	1.14
9	Motors	(17)	5,938.0	1.39	5,608.4	1.35	4,672.6	1.30
10	Other Industrial Materials	(23)	13,125.7	3.07	12,750.2	3.07	10,468.9	2.93
21	CONSUMER GROUP	(187)	129,885.9	30.35	124,403.3	29.98	108,645.9	30.37
22	Brewers and Distillers	(22)	21,129.3	4.94	20,105.7	4.84	17,488.2	4.89
25	Food Manufacturing	(20)	19,299.4	4.51	17,804.4	4.29	15,995.7	4.47
26	Food Retailing	(15)	15,054.2	3.52	12,856.4	3.10	11,646.2	3.26
27	Health and Household Products	(14)	24,375.6	5.69	23,899.3	5.76	19,609.5	5.48
29	Leisure	(33)	14,466.3	3.38	14,239.4	3.43	11,721.1	3.28
31	Packaging and Paper	(15)	2,911.0	0.68	4,089.7	0.99	3,666.1	1.02
32	Publishing and Printing	(19)	8,621.3	2.01	8,915.5	2.15	8,181.4	2.29
34	Stores	(34)	20,235.5	4.73	18,850.0	4.54	17,149.6	4.79
35	Textiles	(15)	3,793.3	0.89	3,642.7	0.88	3,188.1	0.89
40	OTHER GROUPS	(93)	84,273.1	19.69	79,842.1	19.24	65,658.0	18.35
41	Agencies	(17)	6,310.8	1.47	5,194.8	1.25	4,214.0	1.18
42	Chemicals	(22)	15,361.2	3.59	14,538.7	3.50	12,276.8	3.43
43	Conglomerates	(13)	15,710.4	3.67	13,744.0	3.31	11,418.0	3.19
45	Transport	(13)	10,655.3	2.49	10,324.0	2.49	7,265.4	2.03
47	Telephone Networks	(2)	20,417.8	4.77	21,566.7	5.20	19,327.4	5.40
48	Miscellaneous	(26)	15,817.6	3.70	14,473.9	3.49	11,156.4	3.12
49	INDUSTRIAL GROUP	(486)	296,262.3	69.23	285,729.7	68.85	241,246.3	67.43
51	Oil and Gas	(14)	45,696.3	10.68	42,210.4	10.18	38,515.5	10.76
59	500 SHARE INDEX		341,958.6	79.91	327,940.1	79.03	279,761.8	78.19
61	FINANCIAL GROUP	(124)	60,383.1	14.09	62,011.2	14.94	56,188.4	15.70
62	Banks	(8)	19,382.1	4.53	19,750.2	4.76	17,912.8	5.00
65	Insurance (Life)	(8)	6,976.2	1.63	7,318.3	1.76	6,231.2	1.74
66	Insurance (Composite)	(7)	9,425.0	2.20	9,877.8	2.38	8,755.3	2.45
67	Insurance Brokers	(7)	1,798.8	0.42	1,792.9	0.43	1,707.6	0.48
68	Merchant Banks	(11)	2,613.3	0.61	2,625.0	0.63	2,499.4	0.70
69	Property	(52)	15,315.0	3.58	15,768.7	3.80	14,524.0	4.06
70	Other Financial	(31)	4,792.7	1.12	4,878.3	1.18	4,558.1	1.27
71	Investment Trusts	(69)	13,745.1	3.21	13,411.5	3.23	11,615.7	3.25
81	Mining Finance	(2)	7,571.2	1.77	6,981.5	1.68	6,041.6	1.69
91	Overseas Traders	(8)	4,363.2	1.02	4,636.9	1.12	4,192.1	1.17
99	ALL-SHARE INDEX	(703)	427,941.2	100.0	414,981.2	100.0	357,799.6	100.0

INTERNATIONAL COMPANIES AND FINANCE

Management bid for IEL controlling stake hits snag

By Chris Sherwell in Sydney

THE management's bid for control of Industrial Equity (IEL) has hit a snag with yesterday's confirmation that Adelaide Steamship, the principal company in Mr John Spalvins's business empire, has lifted its stake in the Australian entrepreneurial group to 11.6 per cent.

IEL's two top executives, Mr Rod Price and Mr Bill Loewenthal, together with the textile magnate Mr Abe Goldberg, offered A$970m (US$744.4m) on Monday for a 52 per cent stake in the group held by Brierley Investments, its former parent, and the Goodman Fielder Wattie food combine.

But Mr Spalvins, who at that point was thought to have about 5 per cent of IEL, has been buying its shares on a large scale since Wednesday, driving the share price up from A$1.99 to A$2.10.

This is still significantly below the trio's A$2.40 offer for the 52 per cent stake. But because success would bring them control, their proposal must first be approved at an IEL shareholders' meeting – and Mr Spalvins, by his purchases, is putting himself in a strong position to influence the outcome.

Should he wish, he may seek to negotiate over some of IEL's assets. He also stands to reap a profit if the National Companies and Securities Commission (NCSC), the Australian stock market watchdog, insists on a full takeover offer at A$2.40.

Mr Spalvins is known to believe that IEL minority shareholders would gain little from the proposed deal, which is effectively a management buy-out. The NCSC is currently scrutinising the plans.

Mr Goldberg, Mr Price and Mr Loewenthal announced their offer after it became apparent that major shareholders of Goodman Fielder would stymie the food group's own plans to take over IEL.

As a first step in this, Brierley Investments has already sold Goodman Fielder a 20 per cent stake in IEL, and was to have accepted for the rest of its 52 per cent stake when Goodman Fielder made a full offer.

Brierley Investments was in turn going to buy IEL's Woolworths retail group, while Goodman Fielder intended to sell off other IEL assets it did not want. That plan has gone by the board, and the question raised by yesterday's developments is whether the new proposals might be going the same way.

Mr Spalvins has a number of corporate plays under way at present. He has a substantial 16 per cent stake in AWA, the electronics group, and a controlling influence over Howard Smith, the industrial group. He is also believed to have a small holding in Brierley Investments.

More importantly, he has large holdings in the three big commercial banks, and a strategic stake in Bell Resources, part of Mr Alan Bond's stable of companies. Abroad he has become increasingly involved in British insurance, with stakes in Commercial Union and Royal Insurance.

Klöckner to compensate certificate holders

By Our Financial Staff

KLOECKNER and Co, the West German trading house, is to make a payment to holders of its profit participation certificates as compensation for money they lost after Klöckner fell foul of the oil futures market.

The company said yesterday: "In this way the losses suffered by holders of the certificates... in November 1988 will be balanced." The payment is to be DM112 per certificate.

Deutsche Bank stepped in with a DM400m ($211m) rescue operation for Klöckner after it had been forced to disclose losses of up to DM700m on oil futures trading. The bank is currently in the process of selling the trading house to Viag, the German energy, aluminium and chemicals group.

At the time of the oil futures debacle, the profit participation certificates, issued in 1986 at a price of DM135 each, were declared worthless by Klöckner, prompting outrage from investors.

When the sale of Klöckner to Viag was first announced last month Deutsche Bank said it would retain responsibility for part of the oil market exposure and would pay about DM100m to holders of the company's participation certificates.

Deutsche Bank is widely understood to be receiving DM700m for the company from Viag. The bank is also retaining a 40 per cent shareholding in KHD, the machinery maker, formerly held by Klöckner.

Klöckner said the DM112 compensation payment represented the value of the certificates on October 12 last year, the day they were suspended from trading.

"The management board is convinced that this offer will be fully taken up and will win the trust of Klöckner's investors in the future," it said.

Stern face of media's hidden star

Andrew Fisher on Bertelsmann's decentralised business approach

The reader of West Germany's Stern magazine, the buyer of a Whitney Houston record, or the purchaser of a best-seller by Bill Cosby are unlikely to know they have paid for a product of Bertelsmann, which ranks as the world's biggest media company – at least until Time and Warner consummate their proposed marriage.

Bertelsmann is not keen on propagating its own name. "The emphasis on decentralisation means each subsidiary can call itself whatever it wants," says Mr Mark Wössner, chief executive.

He presides over a corporate empire with annual sales of about DM12bn ($6.4bn). The West German company expanded by shelling out $800m for two big US operations in late 1986 – RCA music and records and Doubleday publishing. It was no minnow before, already having a sizeable US involvement in printing and publishing, including Bantam books.

Mr Wössner left Stuttgart's technical university in the early 1960s and spent a few years in research. A lucky break brought him to the attention of Mr Reinhard Mohn, who inherited the war-bombed Bertelsmann publishing company in the 1940s and built it up through gritty determination and a disciplined application of the decentralised management methods he had learnt in the US while a prisoner of war.

When the two met, Mr Wössner was 28. Nothing in his job background fitted him for publishing or printing but, rising quickly from management assistant to the head of the group's Mohndruck printing subsidiary, he joined the group board in 1976 while still in his thirties.

Mr Wössner, now a stocky, silver-haired 50-year-old, believes Bertelsmann is unique in the committed and rapid way it brings on young managers. This ties in with Mr Mohn's belief in decentralisation, with group management at the headquarters in the small northern town of Gütersloh looking after strategic issues and keeping the heads of the numerous profit centres on a loose rein.

Mr Mohn stepped down from the top executive job in 1981. Now 68, he runs the non-executive supervisory board which, preoccupied with continuity, he has agreed to hand over to Mr Wössner when he retires as chief executive in the late 1990s.

Apart from reflecting the fact that Bertelsmann is in firm private ownership, and thus not subject to takeover threats, this concern with future leadership goes hand in hand with the group's attention to product quality, high pay and profit incentives for top management – the nine-man Bertelsmann board last year averaged DM2m each – a high level of employee identification, and controlled long-term expansion.

In order of sales, Bertelsmann's main activities are magazines (including the often provocative Stern weekly), book and record clubs, music and video, printing, publishing and – way behind – electronic media, including television and radio. Having progressed faster than expected in the integration of RCA and Doubleday, it expects soon to be in a position to make new acquisitions and turn its attention to the Far East.

Being the biggest media group, although outranked in individual sectors like records and publishing, is not important, insists Mr Wössner. Things have just happened that way.

"We are not striving for size, but for quality and a leading position in important sectors." As examples he mentions European – including German – book clubs, and book and magazine publishing in English, Spanish, and German.

Bertelsmann remains committed to Germany, which provides roughly a third of turnover. But cartel laws give it little scope to expand there. Hence the drive abroad, begun when Mr Mohn was chief executive.

Yet compared with some rival groups, such as those headed by Mr Rupert Murdoch or Mr Robert Maxwell, the German concern is positively self-effacing.

"That's the way we want it," says Mr Wössner.

A high-profile approach would run counter to the group's decentralisation policy. With minimal newspaper and still fledgling TV interests, the German concern does not automatically catch the public eye.

Its name is less well known than those of Time or Warner, about whose proposed merger Mr Wössner does not get over-excited. "This will only have relative significance for us. Time is a good company and recognised around the world as a fine media concern.

"Warner is a top company, especially in films and music. Bertelsmann is a top German and European company with interesting new activities in the US. We are all polyglot, globally operating media people, and the total size of turnover is strategically unimportant when set against the fact that we have interesting positions in individual sectors."

Mr Wössner admits that Warner's high market share of the international music business and Time's leading position in the American magazine business are strategically important considerations. "But the total turnover size of Time or Warner has almost no interest. What is valuable for us is that Bertelsmann has an unassailed, one could almost say monopoly, position in book clubs and good market positions in other areas.

"The fact that the total currently gives us the world's biggest media turnover is strategically uninteresting."

Unlike some of his media rivals, Mr Wössner is highly cautious about television prospects. It is involved in German satellite TV through its shareholding in RTL-Plus and has linked up with France's Canal Plus to develop a pay channel for Germany.

But, he sighs: "TV is a small, laborious business." For one thing there is subsidised competition from state-owned national and regional channels. Then there are legal restrictions, shortage of frequencies and lack of adequate cabling.

"In this small market, cluttered with legal, technical and infrastructural restrictions, it is very hard to build up a profitable television business."

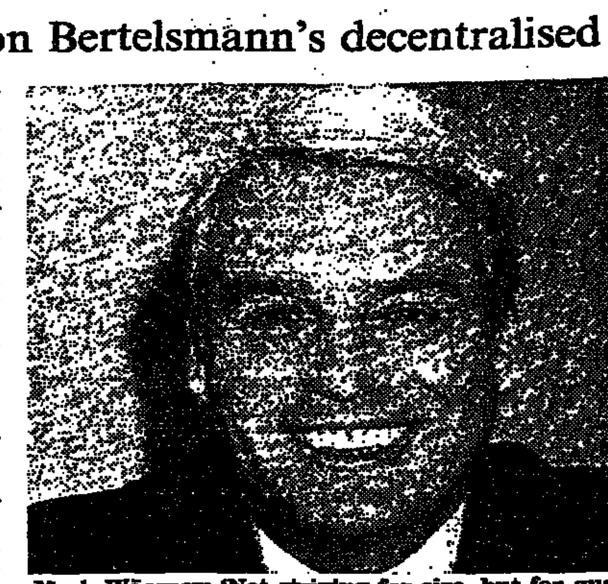
To move into the huge and homogeneous US market would also be ill-judged, he adds. "In entertainment, there is no equivalent to Hollywood in Europe."

Even when Europe becomes more open after 1992, "the perspectives don't look promising." Mr Wössner expects the media business to become even more regional as borders lose their importance.

Differences of language, culture and customs will separate markets.

"Life will become easier for those selling petrol, potatoes, spaghetti, or furniture in Europe and more complicated for media companies."

It is an intriguing contrast to the sunny horizons usually depicted for Europe's business future. But then muscling its way into niche markets has been Bertelsmann's forte.



Mark Wössner: 'Not striving for size, but for quality'

Chase Corp awaits response to recovery plan

CHASE CORPORATION, the New Zealand investment group which had more than a third of its assets frozen this week by a government-appointed receiver, is awaiting a response from financiers to a year-long recovery plan, Andrew Pirie writes from Wellington.

Mr Colin Reynolds, the chairman, met the group's Australian bankers in Sydney on Thursday and spent yesterday in Auckland with their New Zealand counterparts.

The government appointment last Monday of statutory managers to Chase's NZ$1.3bn (US$752.8m) portfolio of New Zealand properties did not directly affect other group assets.

Mr Alex Macintosh, a financial adviser to Chase, warned this week that the company faced liquidation unless it could come to some arrangement with its bankers.

Mr Reynolds said at the company's Auckland headquarters: "The exercise we are going through is designed to ensure we don't go down the tube." He said Chase had not defaulted on any of its loans up to June 30, but would have been in default if it had not asked the Government to invoke the statutory management.

The reaction from banks to the talks was "as good as could be expected," he said. "We haven't asked them to agree to a moratorium. We haven't asked them to subrogate their rights in any way."

Massa posts strong recovery in profits

By Our Financial Staff

MASSA, the West German discount store chain which is half owned by Asko, its bigger local rival, yesterday reported a strong recovery in profits for 1988 and said earnings had continued to climb during the current year.

Against DM39.3m in 1987 and DM47.1m in 1986, net profits for last year rose to DM56.9m ($30m) following a rapid build up of additional selling space and an increase in sales to DM4.02bn from DM3.69bn a year earlier.

Mr Helmut Wagner, the chief executive who also heads Asko, said sales for the first six months of 1989 had risen by 13 per cent and that the growth in group profits had roughly kept in step with turnover.

Massa's push for extra selling space over the past year is reflected in the fact that real sales in the half year were much slower. Mr Wagner said turnover on the basis of comparable selling space had risen by just 3 per cent in the six months.

He said that Massa would seek a selection of stock market listings in Switzerland before the end of year. The move would be tied to plans to convert 460,000 non-voting preference shares into ordinary shares.

Massa's performance in 1987, when trading margins shrank and profits tumbled, resulted largely from over-aggressive pricing in food retailing at a time when the group's newer non-food operations lines were still being heavily promoted.

● Asko confirmed yesterday that it planned to take a majority shareholding in Comco Holding, a Swiss services and textiles group indirectly linked to Omni Holding, the holding company headed by Mr Werner Rey, the Swiss financier.

Nabisco sells Indian baking unit

RJR NABISCO of the US, continuing its disposal programme, has sold its baking interests in India and Pakistan to management for $44m, Our Financial Staff writes.

Britannia Industries, a Singapore company formed by Mr Rajan Pillai, the London-based Nabisco president for Africa and the Asia-Pacific region, is buying Associated Biscuits International (ABI), a UK-registered Nabisco unit.

ABI owns 38 per cent of Britannia Industries, a Calcutta quoted company which is India's biggest biscuit and baking products group, with sales last year of $170m. It also holds 40 per cent in English Biscuit Manufacturers of Pakistan.

Malaysian airline group advances

By Our Financial Staff

MALAYSIAN Airline System (MAS), the privatised national carrier, boosted group pre-tax profit 29.1 per cent to 199.3m ringgit (US$74.2m) in the year to March 31.

Revenues rose 20.2 per cent to 1.9bn ringgit. Group net profits were only modestly higher, however, at 157.1m ringgit compared with 151.6m ringgit.

The final dividend is maintained at 12.5 cents a share. MAS said it expected to continue to perform well in the current year, based on its performance in the first month.

Johnson Electric climbs to HK$172m

JOHNSON ELECTRIC Holdings, the Hong Kong electronics company which is one of the world's largest independent suppliers of micromotors, lifted net profits 10 per cent to HK$172.1m (US$22.1m) in the year to March, Michael Marray writes from Hong Kong.

Turnover at the company, which makes small precision motors used in products ranging from electric typewriters to windscreen wipers on cars, rose 18.6 per cent to HK$951.4m.

Johnson Electric – an example of the move in Hong Kong industry towards higher value-added products – invests large sums in research and development, manufactures under its own patents, and has diversified its production base overseas to find new markets.

In spite of the recent crisis in China the company is pressing on with an expansion of its manufacturing facility in Guangdong province, and it has obtained permission from the Thai authorities to establish a wholly-owned subsidiary manufacturing micromotors in Thailand.

Last year the company set up a factory in Switzerland, from which it is producing high-precision components for the group and later intends to supply countries in the EC in time for the move to a single market in 1992.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$384.50	+13.25	$436.75	$412.25	$360.25
Silver Per troy oz	329.4p	-4.5	405.7p	358.85p	322.25p
Aluminium 99.7% (cash)	$1810		$2805	$2610	$1790
Copper Grade A (cash)	£1483.0	-128.5	£1349	£1982.5	£1474
Lead(cash)	£420.5	-14.0	£385	£437	£337
Nickel (cash)	$11640	-1310	$14800	$19350	$11450
Zinc (cash)	$1610	-10	£767	$2107.5	$1497.5
Tin (cash)	$9970	-35	£4237.5	$10760	$7460
Cocoa Futures (Sep)	£834	-19	£990	£900	£715
Coffee Futures (Sep)	£830	-183	£1098	£1270	£830
Sugar (LDP Raw)	$332.0	-18.2	$352.6	$363.6	$235.8
Barley Futures (Nov)	£108.5		£104.1	£113.50	£100.95
Wheat Futures (Nov)	£109.25	-0.15	£106.5	£121.65	£104.7
Cotton Outlook A Index	80.90c	+0.65	65.65c	80.9c	61.35
Wool (64S Super)	615p	-7	654p	710p	610p
Rubber (Spot)	61.25p	+0.25	74p	64p	55p
Oil (Brent Blend)	$17.75	-0.45	$15.175	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb.

COCOA £/tonne

	Close	Previous	High/Low	
Jul	817	806	815	803
Sep	834	825	836	822
Dec	889	877	889	875
Mar	872	865	872	863
May	884	875	884	874
Jul	899	890	899	889
Sep	915	905	912	902

Turnover: 3678 (3335) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 6 1021.31 (1040.76) :10 day average for Jul 7 1039.75 (1039.55)

COFFEE £/tonne

	Close	Previous	High/Low	
Jul	814	880	840	807
Sep	830	866	850	805
Nov	849	884	865	825
Jan	868	905	878	850
Mar	900	925	908	875
May	920	942	930	900
Jul	960	965	960	928

Turnover: 8182 (5937) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 6: Comp. daily 82.71 (85.78). 15 day average 96.71 (97.97)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	293.00	293.00	302.60	292.40
Oct	293.80	292.20	304.00	291.00
Dec	283.00	289.00	285.00	285.00
Mar	274.80	277.60	289.00	272.00
May	274.00	276.60	280.00	274.00
Aug	272.00	271.60		
Oct	268.00	260.00	270.00	267.00
White	**Close**	**Previous**	**High/Low**	
Aug	435.00	436.00	437.00	433.00
Oct	389.50	390.00	395.00	
Dec	366.00	363.00	368.00	367.00
Mar	351.00	352.00	356.50	348.00

Turnover: Raw 4218 (6575)lots of 50 tonnes. White 1009 (1062).
Paris- White (FFr per tonne): Aug 2795 Oct 2493, Dec 2345, Mar 2265, May 2260, Aug 2260, Oct 2230.

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	146.75	146.50	147.25	145.00
Aug	146.00	146.25	147.50	145.50
Sep	146.75	147.25	148.00	146.25
Oct	148.50	148.50	149.00	147.50
Nov	149.75	150.75	149.75	149.50
Dec	151.25	153.50	151.00	

Turnover 6540 (6789)lots of 100 tonnes

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.65-5.80w	+.175
Brent Blend	$17.65-7.75w	+.125
W.T.I. (1 pm est)	$20.60-0.65w	+0.20
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$208-210	-1
Gas Oil	$147-148	
Heavy Fuel Oil	$86-87	-1
Naphtha	$164-166	-1
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$384.5	-1.0
Silver (per troy oz)♣	535c	
Platinum (per troy oz)	$514.0	+1.5
Palladium (per troy oz)	$155.2	-0.3
Aluminium (free market)	$1825	-10
Copper (US Producer)	107¾-108c	-4
Lead (US Producer)	38.5c	
Nickel (free market)	535c	-5
Tin (Kuala Lumpur market)	26.50r	+0.01
Tin (New York)	462.5c	-1.0
Zinc (US Prime Western)	80⅜c	
Cattle (live weight)†	119.91p	+1.95*
Sheep (dead weight)†	194.83p	+15.2*
Pigs (live weight)†	93.30p	+1.43*
London daily sugar (raw)	$332x	+1
London daily sugar (white)	$441x	-3
Tate and Lyle export price	£319.5	+1.5
Barley (English feed)	£105.25x	
Maize (US No. 3 yellow)	£133.5	+0.5
Wheat (US Dark Northern)	£128t	
Rubber (spot)♥	61.25p	-0.25
Rubber (Aug)♥	63.75p	-0.25
Rubber (Sep)♥	64.50p	-0.25
Rubber (KL RSS No 1 Jul)	257.0m	-1.5
Coconut oil (Philippines)§	$570t	+5
Palm Oil (Malaysian)§	$360t	
Copra (Philippines)§	$350y	
Soyabeans (US)	£208	-6
Cotton "A" index	80.9c	+0.7
Wooltops (64s Super)	615p	-7

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jun. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Aug	17.62	17.68	17.66	17.50
Sep	17.25	17.35	17.29	17.10
Oct	16.97	17.00	16.86	
IPE Index	18.00	18.02		

Turnover: 10895 (6776)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,700 tonne
Cash	1805-15	1835-45	1825/1822	1822-5		
3 months	1765-8	1775-80	1780/1765	1770-2	1768-70	32,748 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,600 tonne
Cash	1482-4	1473-5	1471/1470	1470-1		
3 months	1463-4	1461-2	1470/1450	1450-1	1468-9	75,609 lots
Lead (£ per tonne)						Ring turnover 4,475 tonne
Cash	420-1	414-5	421/416	417-8		
3 months	404-5	397.5-8	406/397	401-1.5	402-3	9,422 lots
Nickel ($ per tonne)						Ring turnover 1,726 tonne
Cash	11630-50	11750-800	11700/11550	11550-650		
3 months	11000-50	11100-50	11100/11025	11025-75	11050-100	6,604 lots
Tin ($ per tonne)						Ring turnover 280 tonne
Cash	9960-80	10100-20		10010-5		
3 months	9940-50	10030-40	10030/9920	9975-10000	9935-50	2,076 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,950 tonne
Cash	1680-90	1645-50	1700/1695	1690-5		
3 months	1573-5	1555-60	1580/1570	1570-5	1570-5	10,850 lots
Zinc ($ per tonne)						Ring turnover 8,700 tonne
Cash	1605-15	1600-10		1600-10		
3 months	1515-20	1502-10	1520/1510	1515-20	1515-20	6,553 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	112.0	112.0	110.0	105.0
Feb	132.0	130.0		
Apr	182.0	184.0	184.5	177.0
May	193.0	205.0	200.0	195.0

Turnover 351 (555) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	159.00	161.00	
Oct	153.50	155.00	153.00
Dec	151.50	153.00	151.00

Turnover 85 (108)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jul	1358	1372	1362	1348
Aug	1381	1400	1390	1375
Oct	1500	1505	1500	1488
Jan	1534	1540	1534	1530
Apr	1570	1550	1560	
BFI	1392	1388		

Turnover 249 (161)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	106.05	105.90	105.90	
Nov	109.25	108.85	109.25	108.70
Jan	112.90	112.50	112.90	112.70
Mar	115.90	115.50	115.65	
May	119.35	118.90	113.00	
Barley	**Close**	**Previous**	**High/Low**	
Sep	104.50	104.25	104.50	104.45
Nov	108.50	108.25	108.50	108.45
Jan	112.40	112.00	112.40	112.30
Mar	115.10	114.75	115.00	
May	118.90	116.70	116.90	116.75

Turnover: Wheat 54 (109). Barley 82 (121).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low	
Aug	113.0	112.0		
Oct	118.0	117.0		
Nov	117.5	118.0	117.5	
Feb	111.0	110.0		110.0
Apr	112.0	110.3		
Jun	112.0	110.3		

Turnover 59 (16) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384¼-384¾	236½-237
Opening	383½-384	236½-237
Morning fix	383.6	236.688
Afternoon fix	383.55	236.031
Day's high	385½-386	
Day's low	382¼-382¾	

Coins	$ price	£ equivalent
Mapleleaf	395-400	243-246
Britannia	395-400	243-246
US Eagle	395-400	243-246
Angel	392-397	241¼-244¼
Krugerrand	383-386	235½-237½
New Sov.	90½-91½	55½-58¼
Old Sov.	90½-91½	56½-56¼
Noble Plat	516.3-524.55	316.25-321.3

Silver fix	p/fine oz	US cts equiv
Spot	329.40	534.25
3 months	340.90	546.55
6 months	352.40	558.15
12 months	374.80	580.85

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1650	138	132	17	30
1750	73	73	50	69
1850	32	36	107	128
Copper (Grade A)	**Calls**		**Puts**	
2250	166	154	49	91
2350	108	106	89	140
2450	66	70	145	201

LONDON FOX TRADED OPTIONS

Sugar No. 6	Calls		Puts	
Coffee	Sep	Nov	Sep	Nov
850	41	126	63	128
900	24	107	96	159
950		90		192
Cocoa	Sep	Dec	Sep	Dec
800	46		12	
850	18	74	35	37
900	6	48	72	61

US MARKETS

IN THE METALS, gold and silver prices were soft in slow trading, reports Drexel Burnham Lambert. An uneventful June jobs report keep the markets intact. Scattered weekend profit taking was the only feature. Platinum futures gained slightly from stop-loss buying. Copper posted the biggest advance recovering from Thursdays decline. News of a Canadian refinery strike was noted. In the livestocks, speculative buying firmed the oversold condition of the pork bellies. Higher cash pork products and increased packer demand helped support hog futures. Hot weather has reduced runs. Cattle prices continued to fall as reduced movement prompted long liquidation. Commission house selling and slow packer demand was also noted. The softs featured a choppy sugar market with scattered selling near the close weakening prices. Coffee was again lower from origin selling. Cocoa trading was quiet, gaining slightly on the day. Grain prices ended the week lower on news of cooler temperatures and upcoming precipitation in the midwestern US. Cotton futures were weak from commission house activity.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	383.6	386.4	383.3	383.3
Aug	385.7	388.6	389.7	384.4
Sep	387.8	390.9	0	0
Oct	389.7	392.8	393.7	389.1
Dec	393.8	397.1	398.2	392.7
Feb	397.9	401.4	401.2	399.5
Apr	402.0	405.7	0	0
Jun	406.2	410.0	409.5	408.4
Aug	410.3	414.2	413.5	412.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	516.8	515.2	524.0	513.5
Oct	522.1	520.5	530.0	516.5
Jan	524.6	522.2	532.0	519.0
Apr	528.1	525.7	532.0	525.0
Jul	531.6	529.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	520.9	537.7	536.5	519.5
Aug	524.0	541.2	0	0
Sep	528.5	545.7	547.5	526.5
Dec	541.0	558.5	560.0	540.0
Jan	544.3	561.9	0	0
Mar	552.3	570.0	571.0	552.0
May	560.3	578.2	0	0
Jul	568.7	586.8	584.0	576.5
Sep	577.1	595.4	0	0
Dec	588.9	607.5	607.0	607.0

INDICES

REUTERS (Base: September 18 1931 = 100)	July 6	July 5	mnth ago	yr ago
	1975.5	1996.5	1991.0	2010.4

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	131.92	132.95	132.06	137.56
Futures	130.83	132.03	132.02	141.08

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	103.30	199.60	103.90	101.00
Aug	103.00	99.20	0	0
Sep	102.60	198.60	103.00	100.25
Dec	100.60	97.70	100.80	98.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	20.66	20.30	20.75	20.28
Sep	19.56	19.35	19.64	19.26
Oct	18.90	18.77	16.98	18.68
Nov	18.48	18.39	18.55	18.22
Dec	18.17	18.12	18.25	17.90
Feb	17.89	17.83	17.89	17.85
Mar	17.85	17.73	17.77	17.77
Apr	17.68	17.64	17.68	17.68

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4990	4969	5020	4930
Sep	5030	5031	5055	4965
Oct	5100	5094	5120	5040
Nov	5175	5157	5180	5145
Dec	5220	5220	5250	5185
Feb	5145	5135	5150	5140
Mar	4910	4955	4910	4910

COCOA 10 tonnes,$/tonnes

	Close	Previous	High/Low	
Jul	1223	1210	1218	1215
Sep	1239	1228	1248	1226
Dec	1272	1267	1277	1262
Mar	1288	1284	1295	1230
May	1298	1294	1303	1290
Jul	1316	1313	1306	1308
Sep	1337	1333	1340	1330
Dec	1377	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	88.50	193.38	90.50	86.00
Sep	89.69	93.37	91.25	88.50
Dec	91.90	95.73	94.50	91.70
Mar	94.85	198.77	96.50	94.80
May	96.99	100.11	99.50	96.95
Jul	97.90	102.51	101.50	97.75
Sep	100.20	103.01	103.00	100.20
Dec	103.75	105.50	103.50	103.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.06	13.12	13.73	13.06
Jan	12.50	12.15	12.50	12.50
Mar	12.25	12.48	13.02	12.25
May	12.25	12.45	12.90	12.24
Jul	12.20	12.36	12.45	12.20
Oct	11.91	11.98	12.12	11.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.40	67.79	68.50	67.40
Oct	70.50	70.70	71.05	70.26
Dec	71.02	71.24	71.49	70.70
Mar	71.80	71.90	72.05	71.41
Jul	72.05	72.35	72.05	72.05
Oct	68.10	68.75	68.00	68.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	179.10	178.75	173.50	177.50
Sep	171.60	171.35	171.95	169.50
Nov	157.45	157.40	157.90	156.40
Jan	154.10	153.90	154.00	153.50
Mar	153.50	153.60	153.50	153.50
May	152.90	152.90	0	0
Jul	152.90	152.90	0	0
Sep	152.90	152.90	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	786/4	785/0	776/0	760/0
Aug	732/0	734/4	740/4	726/4
Sep	703/6	707/4	710/0	695/4
Nov	689/0	695/0	699/0	682/0
Jan	699/0	704/0	706/0	692/0
Mar	708/4	711/0	715/0	703/0
May	711/4	716/0	719/0	708/0
Jul	712/4	715/4	722/0	709/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.29	21.42	21.50	21.16
Aug	21.42	21.54	21.68	21.30
Sep	21.69	21.71	21.92	21.55
Oct	21.92	22.01	22.15	21.75
Dec	22.31	22.40	22.60	22.14
Jan	22.40	22.52	22.75	22.36
Mar	22.72	22.80	23.05	22.70
May	22.85	22.95	22.80	22.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	224.6	226.0	227.0	223.5
Aug	219.3	219.7	221.3	217.6
Sep	215.2	215.2	216.8	213.1
Oct	211.7	211.7	213.5	209.5
Dec	209.6	209.7	211.5	207.5
Jan	208.1	209.2	210.5	208.5
Mar	207.0	207.2	208.5	206.0
May	205.5	207.0	205.0	206.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	274/0	278/6	279/0	271/0
Sep	268/4	271/2	271/6	264/2
Dec	266/2	269/4	271/0	263/6
Mar	273/0	277/2	277/0	270/4
May	274/6	278/0	278/4	273/0
Jul	274/2	278/0	279/0	273/2
Sep	255/0	268/4	259/4	255/0
Dec	246/6	250/0	252/0	245/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	404/6	405/0	408/4	403/6
Sep	407/6	409/4	410/2	407/4
Dec	417/6	420/6	420/4	417/2
Mar	417/2	421/0	421/0	416/4
May	404/4	409/0	406/4	403/0
Jul	369/0	373/0	373/0	368/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	69.75	70.40	70.15	69.65
Sep	71.30	71.50	71.52	71.25
Oct	73.07	73.62	73.47	72.87
Dec	72.97	73.30	73.25	72.92
Feb	71.87	72.20	72.10	71.77
Apr	72.75	73.05	73.00	72.65
Jun	71.65	71.90	71.80	71.30
Aug	70.70	70.70	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	47.15	46.77	47.45	46.82
Aug	44.17	44.20	44.55	43.85
Oct	39.67	40.12	40.20	39.30
Dec	42.02	42.50	42.65	41.67
Feb	44.07	44.42	44.70	43.75
Apr	41.95	42.12	42.50	41.80
Jun	47.25	47.35	47.56	46.80
Jul	47.80	47.97	48.10	47.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	30.85	30.47	31.20	30.40
Aug	30.42	30.32	30.75	30.10
Feb	44.25	45.75	45.70	43.60
Mar	44.15	45.77	45.40	43.90
May	44.07	44.85	45.35	44.25
Jul	45.65	47.40	45.65	43.80
Aug	44.80	45.60	44.30	

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Confused dollar loses ground

THE DOLLAR fluctuated quite sharply in confused currency trading yesterday. There appeared to be many differing interpretations on whether US interest rates are about to be reduced and by how much. At the same time the dollar's wide swings gave rise to suggestions that central banks may have intervened from time to time.

However, the dollar's movements were based almost exclusively on hypothesis. One small US bank cut its prime rate to 10½ per cent from 11 per cent, but for the time being there was no follow up move by other banks.

Short-term investors were knocked off balance after the release of US employment data for June. While the latter figure of a 180,000 rise in non-farm payroll was a little below expectations of around 200,000, the series of numbers was rendered almost meaningless by a revision in the May figure from a rise of 101,000 to 207,000. The overall unemployment rate rose to 5.3 per cent from 5.2 per cent.

Given the lack of volume and the level of uncertainty, many investors were content to square their positions and move to one side ahead of the weekend. The dollar closed at DM1.8840 from DM1.8910 and SFr1.6200 compared with SFr1.6220. It was higher against the yen at Y139.75 from Y139.35 but slipped elsewhere to FFr6.3925 from FFr6.4075. On Bank of England figures, the dollar's exchange rate index fell to 69.8 from 70.0.

Three-month Euro-dollar deposits fell to 9⅛-9 per cent from 9¼-9⅛ per cent, while the overnight Federal funds rate slipped to 9¼ per cent from 9½ per cent. Attention is now likely to focus on whether the authorities sanction a cut in overnight money to 9¼ or 9 per cent.

Sterling finished around the middle of the day's range and slightly up from Thursday's close. Its exchange rate index touched a high of 92.1 before closing at 92.0, against 91.9 at the opening and the close on Thursday. News that registered dock workers are to go on strike from Monday appeared to have little effect on trading.

Against the dollar, sterling rose to $1.6245 from $1.6220 and was higher against the yen at Y227.00 from Y226.00. It was weaker against the D-Mark however, at DM3.0600 from DM3.0675. Elsewhere, it finished at SFr2.6325 from SFr2.6300 and FFr10.3850 compared with FFr10.3925.

The D-Mark recorded modest gains against the French franc, rising to FFr3.3930 from FFr3.3920. Trading was relatively subdued, although traders noted that short-term French interest rates have fallen significantly over the past few days, and this may have helped to increase the attraction of the D-Mark.

£ IN NEW YORK

July 7	Latest	Previous Close
£ Spot	1.6210-1.6220	1.6275-1.6285
1 month	0.56-0.55pm	0.62-0.61pm
3 months	1.70-1.67pm	1.86-1.84pm
12 months	6.70-6.60pm	7.15-7.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6245	1.6185	1.6059	1.5868	1.5520
D-mark	3.0680	3.0423	3.0088	2.9602	2.8777
French Fr.	10.385	10.345	10.267	10.157	9.965
Swiss Fr.	2.6250	2.6105	2.5827	2.5390	2.4626
Yen	227.0	225.37	222.31	217.87	210.17

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6188-1.6355	1.6240-1.6250	0.62-0.59cpm	4.47	1.88-1.84pm	4.58
Ireland†	1.4125-1.4225	1.4180-1.4190	0.03-0.08cdis	-0.47	0.15-0.06pm	-0.31
Canada	1.1885-1.1920	1.1905-1.1915	0.28-0.30cdis	-2.92	0.85-0.88dis	-2.91
Netherlands	2.1085-2.1315	2.1240-2.1250	0.40-0.38cpm	2.20	1.04-1.00pm	1.92
Belgium	39.10-39.60	39.40-39.50	4.00-2.50cpm	0.99	8.50-6.00pm	0.74
Denmark	7.28¾-7.34¾	7.31¾-7.32	0.10-0.35oredis	0.37	0.50-1.00dis	0.41
W. Germany	1.8700-1.8920	1.8835-1.8845	0.40-0.38pfpm	2.49	1.04-1.00pm	2.17
Portugal	157.75-158.25	157.75-157.85	65-85cdis	-5.72	240-290dis	-6.74
Spain	117.95-119.00	118.25-118.35	42-52cdis	-4.77	140-155dis	-4.99
Italy	1359-1370½	1368¾-1369¼	2.90-3.40liredis	-2.77	9.70-10.40dis	-2.94
Norway	6.89¾-6.94	6.92¾-6.93¾	0.70-1.00oredis	-1.47	2.85-3.25dis	-1.50
France	6.35-6.41¾	6.39-6.39½	0.15-0.10cpm	0.23	0.15-0pm	0.05

POUND SPOT- FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

UK rates steadier

UK INTEREST rates showed little overall change in London yesterday. Sterling maintained a steady tone, while US employment data suggested that the next move in US rates may be downward. The yield curve on UK interbank money is currently peaking at six-months and moves easier thereafter. This falls in line with a feeling held by many traders that bank lending rates are unlikely to fall before the end of the year. Three-month interbank money was quoted at 14-13⅞ per cent from 14-13 15/16 per cent on Thursday.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of around £250m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £120m. There was also a rise in the note circulation of £420m, while banks brought forward balances £45m below target. These were partly offset by Exchequer transactions which added £345m.

The shortage was revised to £450m.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

LONDON (LIFFE)

PHILADELPHIA SE £/$ OPTIONS

CHICAGO

FT GUIDE TO WORLD CURRENCIES Every Tuesday in the FT

LONDON TRADED OPTIONS

BAT INDUSTRIES, subject of market discussion over its future development, brought some life to a generally quiet London Traded Options Market yesterday, attracting 3,466 contracts out of a market total of 28,415.

There was complex trading in BAT in a number of series, including retail business in the August and February calls at exercise prices above the going price of the share on the underlying market. Relatively high implied volatility was a factor, as was some profit-taking towards the end. The price of BAT on the underlying share market rose 18p on balance to 675p. On the options market, trading in it was split into 2,860 calls and 605 puts, with 882 contracts handled in the August 650 calls alone. The August 700 calls saw 595 contracts and the November 700 calls 501. On the put side, a feature was the trading of 500 contracts in the February 550s.

Total market business was divided between 21,138 calls and 7,283 puts. Dealings in the FT-SE 100 index reached a modest 4,378 contracts — made up of 2,676 calls and 1,702 puts — in spite of a rise of 27.9 points to 2,189.1 in the index itself. Behind the index rise lay the latest employment figures from the US, which suggested a slow rate of economic growth.

This news was followed by the Southwestern Bank of St Louis cutting its prime lending rate by ½ point to 10½ per cent. The FT-SE 100 index was helped upwards by a swing on the London International Financial Futures Exchange. In recent days there has been a discount on futures trading on the index for September delivery, but yesterday this effectively disappeared, after allowance for dividend and interest rate expectations.

United Biscuits attracted 2,176 options contracts, consisting of 1,599 calls and 577 puts, and Cadbury 1,776, with slightly more calls than puts. Racal Electronics found 1,585 contracts, of which 1,439 were call and 146 puts, and BP 1,544, made up of 1,144 calls and 400 puts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Storehouse (*150)	140	15	24	27	4	8	9
	160	5	13	16	16	17	19
Trafalgar (*346)	317	32	46	52	1½	4	8
	347	9	26	32	9	14	20
	373	2	12	18	34	34	38

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Tesco (*185)	180	10	17	24	4	7	8
	200	2½	8	14	17	18	19

Option		Calls July	Calls Sep.	Calls Nov.	Puts July	Puts Sep.	Puts Nov.
ASDA Grp. (*181)	160	24	27	32	2	3½	4½
	180	7	13	18	6	10	12
Gateway (*240)	220	22	25	23	1	1	1½
	240	5	5	5½	5	5	5

LONDON MARKETS

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Burtonwood Brew ...fin	2.85	-	2.635	3.55	3.16
Evans of Leeds ...fin	4	-	3.6	6.15	5.5
Real Time § ...fin	nil	-	2	nil	2
Stainless Met § ...int	nil	-	2	-	2
Tops Estates ...fin	1.5†☆	Oct 24	1	1.5	1
Turnbull Scott ...fin	3.85	-	3.25*	6	4.5*
Whitney M-L § ...fin	3	Sept 14	2.7	4.6	4.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other official estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ♣ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♣ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Jun 26
- Last Dealings Jul 7
- Last Declarations Sep 28
- For settlement Oct 9

For rate indications see end of London Share Service

Calls in De La Rue, London International, Tuskar Resources, Oliver Resources, Amstrad, Atlantic Resources and Vickers. Puts in De La Rue and Polly Peck.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE No. 003665 of 1989

CHANCERY DIVISION

IN THE MATTER OF EMI LIMITED

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 20th June, 1989 presented to Her Majesty's High Court of Justice for the confirmation (1) of the reduction of the capital of the above-named Company from £200,000,000 to £5,862,000 and (2) of the cancellation of the share premium account of the said Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Peter Gibson at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 17th day of July 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital and cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

DATED this 6th day of July 1989

ROWE & MAW, 20 Black Friars Lane, London EC4V 6HD
Solicitors for the above-named Company.

EDUCATIONAL

PERSONAL

WORLD STOCK MARKETS

NEW YORK (Closing)

CANADA (Closing)

INDICES

NEW YORK — DOW JONES

	July 6	July 5	July 3	June 30	1989 High	1989 Low	Since compilation High	Since compilation Low
ϕIndustrials	2462.44	2456.56	2452.77	2440.06	2531.87 (23/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.54	92.26	92.37	92.24	92.54 (6/7)	87.35 (23/3)	–	–
Transport	1179.82	1170.44	1164.46	1148.77	1192.59 (27/6)	959.95 (3/1)	1192.59 (27/6/89)	12.32 (8/7/32)
Utilities	210.32	209.88	210.07	209.70	211.77 (27/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2475.53 (2467.19) Low 2446.51 (2431.53)

STANDARD AND POOR'S	July 6	July 5	July 3	June 30	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	321.55	320.64	319.23	317.98	328.44 (27/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	367.19	366.17	364.82	363.48	375.71 (27/6)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.75	30.60	30.34	30.17	31.15 (27/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	179.82	179.25	178.51	177.90	183.18 (27/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	361.11	359.12	358.83	358.97	366.43 (27/6)	305.24 (3/1)	366.43 (27/6/89)	29.31 (9/12/72)
NASDAQ OTC Comp	439.57	436.94	436.00	435.29	453.65 (9/6)	378.56 (3/1)	456.28 (26/8/87)	54.87 (31/10/72)

	Jun 30	Jun 23	Jun 16	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.57	3.59	3.50

	June 28	June 21	year ago (approx.)
S & P Industrial div. yield	3.06	3.00	3.05	3.03
S & P Indl. P/E ratio	13.47	13.72	13.48	14.42

TRADING ACTIVITY

† Volume Millions	July 6	July 5	July 3
New York	138.667	127.700	68.931
Amex	9.977	10.258	4.946
OTC	118.053	94.518	53.203

NEW YORK	July 6	July 5	July 3
Issues Traded	1,972	1,939	1,870
Rises	950	879	747
Falls	522	552	593
Unchanged	500	508	530
New Highs	85	67	29
New Lows	16	13	10

CANADA

TORONTO	July 6	July 5	July 4	July 3	1989 High	1989 Low
Metals & Minerals	3260.8	3273.7	3263.3	(c)	3564.9 (6/2)	3207.5 (3/1)
Composite	3776.5	3772.3	3756.4	(c)	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1896.73	1897.07	1892.34	(c)	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Panhandle	1,881,400	24⅝	+ ⅝	Exxon	1,152,500	44	– ⅛
Syntex	1,406,200	50	+ ¼	Warner Com	1,121,400	61⅝	+ ⅝
American Elec	1,294,000	28⅜	+ ¼	Maytag	1,121,100	23	+ ⅜
Armstrong World	1,255,500	49¾	+ 1⅜	Kroger	966,400	15⅛	– ½
UAL Corp	1,164,100	152½	+ 5½	AT&T	961,800	35⅜	+ ¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 7	July 6	July 5	July 4	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1527.5	1519.5	1513.4	1504.6	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	705.8	695.0	685.4	680.8	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	357.53	357.71	355.14	353.89	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6173.96	6157.51	6153.55	6167.26	6173.96 (7/7)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	346.81	347.43	344.22	340.35	347.43 (6/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	763.3	763.3	765.3	768.5	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	481.4	482.0	482.5	480.0	491.00 (26/6)	417.90 (4/1)
Ind. Tendance (30/12/88)	112.7	113.0	113.3	113.3	114.6 (26/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	623.30	615.81	620.20	626.70	626.70 (4/7)	535.78 (27/2)
Commerzbank (1/12/53)	1854.1	1830.2	1844.1	1864.0	1864.0 (4/7)	1595.7 (27/2)
DAX (30/12/87)	1510.63	1493.29	1495.75	1505.67	1510.63 (7/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2375.94	2369.53	2350.67	2316.74	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	656.12	647.79	645.47	649.16	656.12 (7/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33703.97	33423.48	33309.71	33190.3	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2507.29	2489.31	2478.02	2469.55	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	248.2	246.7	246.6	248.8	253.5 (28/6)	208.3 (3/1)
CBS All Shr (End 1983)	193.2	192.0	192.0	193.7	197.4 (28/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	642.03	640.48	635.28	632.18	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1335.69	1318.56	1305.01	1303.83	1335.69 (7/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1632.0	1631.0	1610.0	1557.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2650.0	2651.0	2640.0	2621.0	2651.0 (6/7)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	302.45	303.46	305.06	306.84	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4269.0	4233.2	4286.1	4196.1	4286.1 (5/7)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	748.9	750.0	759.5	756.7	759.5 (5/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	511.4	507.4	502.4	519.0 (17/2)	487.6 (13/6)

ϕ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

هكذا من الأصل

WORLD STOCK MARKETS

AMERICA

Wage inflation data spark off advance by Dow

Wall Street

GOOD news on wage inflation from the US Labor Department, accompanied by clear moves by the Federal Reserve to lower US interest rates, set off a rally in stock and bond prices on Wall Street, *writes Anatole Kaletsky in New York.*

However, investors' enthusiasm was tempered by the big losses they suffered in the last few volatile weeks on Wall Street and trading volume remained moderate after the release of the eagerly awaited employment and wage figures.

By 2 pm the Dow Jones Industrial Average was up by 30.73 points at 2,493.17. Volume on the New York Stock Exchange was 105m shares and advancing issues outnumbered declining ones by about five to two.

The day began on an uncertain note as investors expressed confusion about the somewhat ambiguous employment numbers. While payroll employment in June rose by only 180,000, substantially below expectations, the May figure was revised sharply upwards, from 101,000 to 207,000.

The May revision appeared to offset the bullish implications of the weak payroll growth for the bond market, but analysts then focused on another aspect of the employment report – the monthly pay figures. These showed that average hourly earnings in the US economy increased by only 0.1 per cent in June, after a similarly small increase the previous month.

This good news on wage inflation appeared to set the stage for an easing of monetary policy and the Fed showed its hand by mid-morning, allowing the Federal Funds rate to dip as low as 9¼ per cent from the 9½ per cent range it had been targeting in the past two months.

While analysts were divided on whether Fed funds would settle nearer 9 per cent or 9¼ per cent next week, nobody disputed that a significant easing had occurred. Confirming the downward trend in interest rates, Southwest Bank of Missouri announced a cut in its prime rate from 11 to 10.5 per cent.

After an indecisive start, the bond market moved sharply upwards in response to the Fed's easing. The Treasury's benchmark long bond rose ⅞ to 109⅝, a price at which it yielded 8.01 per cent. There were also big gains at the short end of the yield curve, pushing interest rates on 10-year bonds and shorter maturities decisively below 8 per cent.

Among the blue chip stocks, some of the biggest gainers were the companies which suffered most severely in the previous week's setbacks. General Electric rose $1 to $53⅜ and Coca-Cola gained $1⅝ to $58. Dayton Hudson did best among the stores groups, with a gain of $1¼ to $52.

The main blue chip losers were the car manufacturers, which fell in response to a lower forecast for the industry's sales from the chairman of Ford. General Motors fell $⅝ to $40⅛ and Ford declined $1⅛ to $48.

The day's busiest trading was in UAL, the parent company of United Airlines. The stock soared by $13⅞ to $165⅞ amid intensifying rumours of a takeover bid or leveraged buy-out.

Canada

A STRONG opening advance by Toronto stocks, which were moderately ahead at midsession, was driven by expectations of good US economic data.

SOUTH AFRICA

QUIET and directionless end-of-week trading left stocks in Johannesburg narrowly mixed after a confused initial reaction to US jobs data for June, which failed to stimulate much activity. Among gold shares, Western Deep gained R4 to R134 and Harties added 50 cents to R30.25.

Dull but reliable stocks highlight Tokyo's lethargy

The institutions are cautiously waiting for the outcome of forthcoming elections, writes Robert Thomson

IT IS a slow day on the Tokyo market when the fundamentals begin to influence trading.

So the present interest in good, solid brewery stocks, conservative cosmetics companies and reliable department stores with reasonable price earnings ratios is telling evidence that turnover is down.

Securities houses have been trying to interest buyers in industrial heavyweights, with a view to generating turnover. Mitsubishi Heavy Industries and Kawasaki Heavy Industries have been prominently pushed.

But given the high turnover of Japan's conservative politicians in recent weeks and the rising fortunes of the Japan Socialist Party (JSP), big institutional investors have declined the offers on the home market and continued to buy abroad, and share prices in Tokyo have been sluggish.

The election on July 23 for half of the House of Councillors, or Upper House, will be a turning point for a market in need of political guidance. Investors on hold at present could be back in the market in a big way if the ruling Liberal Democratic Party shows signs of recovering popularity lost through a succession of embarrassing scandals. If the JSP gathers even more momentum, however, the previously unlikely prospect of a socialist government will loom in the distance as a good reason to continue with caution.

"I can't see them getting the big stocks going before the election," says Mr Michael Law of Schroder Securities. But he adds: "You have got an enormous amount of liquidity around. There is a lot of money wanting to go into the market. One has got to be reasonably optimistic about the longer term."

The weighting of political scandals in the stock market's mood in Tokyo remains difficult to quantify, as the attractions of foreign investment are also diverting Japanese investors. For a market that has long had confidence in its own strength, the fluctuations in the yen's value in recent weeks have been somewhat disconcerting evidence that politics does affect finance. That is in spite of the popularity of the theory that the country and economy will roll on regardless of sex scandals, the prime minister and politicians in general.

The sudden vulnerability of the yen and the strength of the dollar have provided cause for contemplation. There were many reasons for the currency fluctuations, including the lack of confidence in Japanese politics, the chaos in China and an attractive interest rate differential that made the dollar worth playing. Yet the severity of the movements surprised many Japanese.

Interest in foreign investment was regenerated, with equity and bond purchases rising significantly. Both institutional and private investors were distracted from the Tokyo market, which should have been buoyed by the record profits being announced by Japanese companies.

Meanwhile, foreigners, after buying strongly early in the year, continue to be net sellers of shares in Tokyo. Figures released by the Ministry of Finance showed that net sales in May were $2.1bn after net sales in April of $1.3bn.

On a good day, turnover in Tokyo will be over 1bn shares, and on a very good day it will approach 1.5bn. In the past month, turnover has been routinely below 500m, while an average 1.3bn shares were traded daily in the first four months of the year.

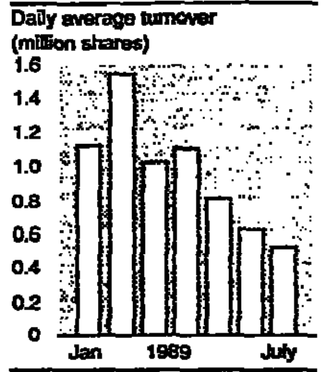
Mr Mitsuru Maekawa of Jardine Fleming said turnover needed to be over 1bn if the likes of Mitsubishi Heavy Industries (MHI) were really to take off: "The market doesn't have that energy at the moment. The market is calm. It is really very difficult to get the shipbuilders (such as MHI) going." MHI topped the turnover table three times in the past week, but was only Y30 higher at Y1,250 yesterday.

Incidentally, a curious consequence of the sluggish market is the greater role played by foreign brokers, who have been averaging about 7 per cent of turnover, up from 4 per cent a year ago, as their Japanese counterparts have suffered from a lack of interest from their institutional clients.

Isetan, the department store operator, has been a beneficiary of interest in defensive stocks and makes for an interesting study of the various forces at work on the market.

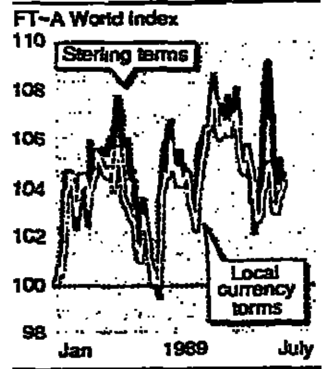
Tokyo SE

Daily average turnover (million shares)



Japan

FT–A World Index



The company's price rose Y100 in early trading yesterday to an all-time high of Y2,650 before closing at Y2,600.

One broker said the fascination with Isetan was seasonal, because many Japanese companies provide workers with a summer bonus and there is a spin-off in department store sales. Another broker pointed to a rumour that a property company was keen to increase its share in Isetan, while yet another broker saw the interest as a response to possible changes in a 3 per cent consumption tax that has contributed to the unpopularity of the LDP. A less tactful analyst said the price movement was a sign of the interest in "more boring" conservative companies.

There has also been a lingering interest in stocks with environmental connections. Daikin Industries, which has developed a substitute for chlorofluorocarbons, has been heavily traded, while securities houses have been producing lists of environment-related stocks for customers. The low turnover has allowed some unlikely stocks to make the top 10 actives list, and analysts suggest that brokers are prepared to push even these low-profile shares in the hope of speeding up proceedings.

EUROPE

Frankfurt bounces back as most bourses tread water

A RESURGENCE of confidence sent Frankfurt and Milan to year highs, but most markets were becalmed yesterday, *writes Our Markets Staff.*

FRANKFURT rebounded from the previous day's consolidation, rising quite sharply towards the close in heavy domestic activity. One analyst said the market seemed "to take a bit of heart from the falling dollar," which increased hopes of steady interest rates.

The DAX index gained 17.34 to a year high of 1,510.63, up 2.5 per cent on the week, and the FAZ rose 7.49 to 623.30, a weekly rise of 1.7 per cent. Turnover was DM5.6bn.

Massa, the retailer, gained DM8 to DM308 after reporting profits up 44 per cent and strong sales growth. The market was also encouraged by the company's statement that, contrary to expectations, it would not be prevented from selling its 20 per cent stake in Asko if necessary. Asko, which in turn holds a large stake in Massa, rose DM25 to DM865.

AVA, the supermarket company, surged DM131, or 9 per cent, to DM1,560 after its suspension on Thursday. There was speculation that the Hamburg property company, which leads a hostile group of shareholders, might need to buy more shares.

Bilfinger und Berger, the construction group, gained DM16 to DM446. It later announced a 10 per cent rise in profits for the first five months and an agreement to co-operate with Birse of the UK.

PARIS eased in another unexciting day, with the inconclusive US jobs figures and uncertainty over the direction of Wall Street, together with such distractions as the forthcoming revolution celebrations and Group of Seven meeting, producing "quite a recipe for torpor," said one salesman.

The OMF 50 index closed at its day's low of 493.62, down 1.58 and barely changed from the previous Friday, the CAC 40 lost 8.48 to 1,729.09 and the CAC General eased 0.60 to 481.40. Volume was estimated as similar to the previous day's at about FFr1.5bn.

Valeo, the car components maker, continued to fall after its sell recommendation by a Paris brokerage, but found some support at lower levels. It ended FFr6 down at FFr776 after dropping to FFr665.

Peugeot went ex a FFr28 dividend but closed only FFr13 lower at FFr1,704 after reports of good June car sales.

MILAN performed well, with the Comit index reaching a year high of 656.12, up 8.33 – a 1 per cent rise over the week. Banks led the advance, with BCI rising L35 to L5,225.

AMSTERDAM closed a little better after falls during the week. "We have seen a small recovery after the losses of the past few days," an analyst said.

The CBS tendency index closed at the day's high of 186.9, rising 1.7 points from Thursday and ending close to last Friday's close. Turnover slipped from recent levels to Fl 647m, as investors stayed on the sidelines before the release of US unemployment figures, which, in the event, had little impact on the market.

Amev, the insurer, closed Fl 1.30 up at Fl 54.40 after a brief suspension, prompted by a report saying unlisted savings bank VSB and Amev would set up a jointly-owned holding which would bid for Amev as soon as Dutch legislation easing curbs on co-operation between insurers and banks takes effect next year.

ZURICH edged slightly higher in moderate trading at the end of a hectic trading week. The Crédit Suisse rose 0.1 to 616.6, a 1.6 per cent advance on the week.

A market maker said: "Chemicals seem to have gone out of favour. People seem to be switching out of them into financial stocks, banks and insurance companies, because of the lower dollar and because those stocks have been out of favour for some time."

Union Bank bearers saw heavy turnover, rising SFr100 to SFr3,660.

Bearers in Hoffmann-La Roche, the pharmaceuticals company, fell SFr250 to SFr34,250, after a US court awarded $1m against the US arm of the company for side effects caused by its acne drug Accutane.

STOCKHOLM climbed to an all-time high in spite of a lack of market moving factors. Turnover was fairly low at SKr204m. "It's the old Swedish story," one analyst said, "too many buyers and not enough sellers." The Affärsvärlden General index rose 5.4 to 1,257.2.

MADRID suffered another very thin session as investors continued to mark time after Thursday's interest rate rise and before expected news from the Finance Ministry on fiscal measures to prevent economic overheating.

The general index lost 1.18 to 302.45.

BRUSSELS registered more gains than losses in dull trade, with few factors to give it direction

Interest continued to focus on ACEC, the troubled engineering subsidiary, which saw more than 20,000 shares traded in the first three hours and picked up BFr10 to BFr500.

The cash market index added 20.41 to 6,073.96, losing 0.3 per cent over the week.

OSLO closed mostly higher, with investors ignoring a drop in the price for Norway's North Sea oil

ASIA PACIFIC

Investment trusts contribute to sharp rise

Tokyo

RELATIVELY stable currency markets and investment trust buying sent Japanese share prices up sharply in light trading, *writes Yuriko Mita in Tokyo.*

The market opened higher and continued its upswing through the day, as investors chased expensive high-technology issues for quick profits. The surge was also attributed to the relaxation of margin restrictions last week.

The Nikkei average rose 280.49 to 33,708.97, a week's rise of 2.3 per cent, after trading between a high of 33,713.84 and a low of 33,480.26.

Volume at 696m shares was still thin, although higher than Thursday's 567m. Advances led declines by 546 to 332 with 202 issues unchanged. The Topix index of all listed issues rose 17.98 to 2,507.29, but in London trading the ISE/Nikkei 50 index shed 1.16 to 2,808.38.

Analysts attributed the thin volume to investors' uncertainty over what to buy. No clear market leaders have emerged in the past month.

The imminent release of US employment figures also kept investors wary.

The market nevertheless took encouragement from news that the Posts and Telecommunications Ministry would for the first time invest part of its postal savings funds in equities.

Mitsubishi Heavy Industries (MHI) and Kawasaki Heavy Industries topped the actives list. Dealers were thought to be pushing large capital issues in an attempt to generate volume and sustain market energy. Investors, expecting increased dealer activity, bought in anticipation of further rises.

MHI closed up Y30 to match its record high of Y1,250 set on June 23 as rumours circulated of attempts by a leading securities firm to push up the issue. It saw turnover of 72.07m shares. The stock came into focus for its property assets, its status as a likely beneficiary of increased capital investment and environmental protection, and its better earnings.

Kawasaki Heavy Industries closed up Y40 at Y1,220 on 43.18m shares traded.

There was small-lot buying of high-priced, high-tech issues. Fujitsu, the largest domestic computer maker, was the third most active issue with 17.99m shares traded, closing Y30 higher at Y1,670.

In Osaka, the OSE average rose 161.74 to 33,049.41. Volume improved to 63m shares from Thursday's 44m.

Roundup

THERE were widespread gains in Asia Pacific markets for a third day, with turnover soaring in Singapore.

SINGAPORE moved sharply higher in very active trading as institutions joined small investors on the buying side. Late profit-taking left shares slightly below their highs, but the Straits Times industrial index was still 17.13 better at a post-crash peak of 1,335.69, a gain of 2 per cent on the week.

Turnover reached a hefty 165m shares, up from 102m on Thursday.

AUSTRALIA enjoyed a flurry of overseas interest in resources, especially golds, which took the All Ordinaries index 7.7 higher to 1,527.5, a marginal improvement on the week. Turnover was a moderate 87.5m shares worth A$178m.

Adsteam, which is thought to hold a significant stake in IEL, rose 8 cents to A$6.54. IEL, in which two senior executives are buying a controlling stake with Mr Abe Goldberg, was steady at A$2.10 on 4.7m shares traded.

The troubled Bond Corp lost 6 cents to 58 cents.

HONG KONG gained for a fourth consecutive session, with foreign bargain-hunting behind the 8.41 rise in the Hang Seng index to 2,875.94. This left the index 4.5 per cent higher than a week ago. Volume was HK$812m.

Bond Corp International rose 2 cents to HK$1.59 after announcing a second special dividend of 40 cents.

SEOUL climbed steeply, wiping out sharp early losses, amid reports that the Government would take measures to stimulate trading. The composite index gained 14 to 878.01.

TAIWAN was badly shaken again, with the weighted index dropping 336.37 to 8,295.94 in thin trading for a two-day loss of 7 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 6 1989						WEDNESDAY JULY 5 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	133.60	+0.3	122.11	115.78	+0.5	5.15	133.20	121.94	115.26	157.12	128.28	145.31
Austria (19)	126.01	+1.1	115.18	123.68	+0.6	1.95	124.59	114.05	122.95	126.01	92.84	86.83
Belgium (63)	131.68	+1.0	120.36	128.60	+0.2	4.28	130.38	119.36	128.29	137.10	125.68	118.72
Canada (124)	141.46	+0.2	129.30	122.05	+0.2	3.31	141.19	129.25	121.81	141.80	124.67	128.36
Denmark (38)	211.76	+1.9	193.56	211.40	+1.2	1.59	207.77	190.21	208.90	211.76	185.35	131.02
Finland (26)	142.22	+0.2	129.99	127.35	−0.8	1.85	141.95	129.95	128.34	159.16	125.81	128.96
France (128)	123.64	+0.2	113.01	124.27	+0.1	3.05	123.42	112.98	124.14	123.64	112.57	99.18
West Germany (100)	92.49	−0.4	84.54	90.93	−0.3	2.24	92.83	84.98	91.24	92.83	79.56	78.07
Hong Kong (49)	98.73	+0.9	90.25	98.84	+0.9	5.41	97.86	89.59	97.95	140.33	86.41	110.86
Ireland (17)	138.88	+0.6	126.92	138.22	+0.0	3.05	137.99	126.32	138.24	151.36	125.00	137.56
Italy (97)	87.10	+0.4	79.61	89.05	+0.5	2.50	86.75	79.42	88.65	87.10	74.97	71.76
Japan (455)	179.66	+0.2	164.22	158.25	+0.5	0.50	179.38	164.21	157.49	200.11	164.22	164.43
Malaysia (36)	184.93	+1.6	169.04	191.20	+1.4	2.51	182.04	166.65	188.60	185.03	143.35	144.41
Mexico (13)	256.89	+7.0	234.81	689.53	+4.8	0.73	240.13	219.82	657.93	271.98	153.32	167.18
Netherland (43)	121.65	+0.1	111.19	118.26	+0.1	4.38	121.50	111.23	118.15	122.22	110.63	105.96
New Zealand (22)	66.26	+0.3	60.57	60.77	+0.4	6.13	66.07	60.48	60.53	76.02	62.64	78.87
Norway (26)	187.27	+1.9	171.17	176.21	+1.1	1.45	183.80	168.28	174.38	198.38	139.92	121.90
Singapore (26)	159.93	+1.4	146.19	144.53	+1.3	1.92	157.79	144.45	142.66	161.98	124.57	123.20
South Africa (60)	152.07	−0.7	139.00	133.77	−0.7	4.00	153.21	140.26	134.77	153.21	115.35	128.09
Spain (43)	151.36	−0.2	138.35	138.63	−0.4	3.75	151.71	138.89	137.23	156.17	143.14	151.78
Sweden (35)	171.34	+1.2	156.61	169.86	+0.7	2.10	169.32	155.00	162.55	171.34	138.45	119.63
Switzerland (57)	83.93	−0.9	76.72	84.40	−0.8	2.28	84.71	77.56	85.08	84.71	67.81	81.16
United Kingdom (312)	145.22	+0.2	132.73	132.73	+0.0	4.42	144.98	132.73	132.72	153.33	133.28	132.72
USA (555)	131.05	+0.3	119.78	131.05	+0.3	3.45	130.67	119.62	130.67	133.83	112.13	119.94
Europe (1004)	122.36	+0.1	111.84	118.41	+0.0	3.54	122.23	111.90	118.44	122.38	112.63	107.42
Nordic (125)	168.75	+1.4	154.24	157.28	+0.8	1.80	166.37	152.30	156.08	168.75	137.85	115.20
Pacific Basin (674)	174.89	+1.5	159.84	154.42	+1.3	0.73	174.59	159.80	153.68	184.72	160.44	151.46
Euro–Pacific (1678)	153.95	+0.2	140.72	139.18	+0.5	1.84	153.71	140.72	138.72	154.22	141.56	139.57
North America (679)	131.57	+0.3	120.26	130.50	+0.3	3.44	131.20	120.11	130.13	134.17	112.79	111.87
Europe Ex. UK (692)	107.81	+0.1	98.54	108.32	+0.0	2.87	107.74	98.63	108.30	107.81	98.30	91.85
Pacific Ex. Japan (219)	117.80	+0.7	107.69	108.85	+0.7	4.52	116.89	107.01	108.84	127.65	111.93	125.76
World Ex. US (1875)	153.56	+0.2	140.36	138.76	+0.3	1.72	153.32	140.36	138.32	162.77	141.49	139.36
World Ex. UK (2118)	144.44	+0.2	132.02	136.46	+0.3	2.07	144.15	131.96	136.00	148.04	136.98	127.92
World Ex. So. Af. (2370)	144.44	+0.2	132.05	136.11	+0.3	2.27	144.15	131.97	135.69	148.65	136.67	128.34
World Ex. Japan (1975)	127.87	+0.2	116.88	124.79	+0.2	3.53	127.57	116.79	124.56	128.01	114.51	111.04
The World Index (2430)	144.49	+0.2	132.07	136.09	+0.3	2.28	144.21	132.01	135.67	146.51	136.68	126.33

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Latest prices were unavailable for this edition.
Constituent change: Name change: Morton Thiokol to Thiokol Corp (US)(7/7/89).

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ◆ Bargains done the previous day.

Corporation and County Stocks
No. of bargains included 7

London County 2½% Cons Stk 1920(or after) – £24
Greater London Council 6¾% Stk 90/92 – £86½ 7
Birmingham Corp 3% Stk 1947(or after) – £27 (4Jy89)
Bristol(City of) 11½% Red Stk 2008 – £104
Manchester Corp 3% Red Cons Stk 1928(or after) – £28¼ (4Jy89)
1891 3% Red Stk 1941(or after) – £26 (3Jy89)
Nottingham Corp 3% Stk (Irrd) – £24 (30Je89)
Local Authority 10 15/16% Bds 2/8/89 – £99.7 (30Je89)

UK Public Boards
No. of bargains included 1

Agricultural Mortgage Corp PLC 4½% Deb Stk 81/91 – £84½ (3Jy89)
5½% Deb Stk 93/95 – £81¼ (4Jy89)
6¼% Deb Stk 92/94 – £79 80 (4Jy89)
6¾% Deb Stk 85/90 – £92 (3Jy89)
7¼% Deb Stk 91/93 – £85½ (4Jy89)
10¼% Deb Stk 92/95 – £95½ (5Jy89)
Dover Harbour Board 4¾% 2nd Red Deb Stk 78/93 – £70 (5Jy89)
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 – £42 (30Je89)
Port of London Authority 3½% Stk 49/99 – £45 (5Jy89)
6½% Reg Stk 87/90 – £94½

Commonwealth–Government
No. of bargains included nil

Jersey Electricity Co Ld 6% Gtd Stk 2000 – £92 (3Jy89)

Foreign Stocks, Bonds, etc–(coupons payable in London)
No. of bargains included 11

Bahia(State of)Brazil 5% Gold Ln 1913(now 1¾%) – £80
Greece.(Kingdom of) 6% Public Works Stg Ln of 1928(Assd) – £40 (3Jy89)
Spain(Govt of) 4%(Sealed Bds) – £30 (4Jy89)
Amsterdam-Rotterdam Bank NV 10½% Nts 1991 – £95½ (5Jy89)
Anglo Group PLC 9½% Cnv Bds 1999 (Nil Pd–6/7/89) – £57 (5Jy89)
Associated Newspapers Holdings PLC [illegible]

[illegible]

Barclays Bank PLC 7½% Uns Cap Ln Stk 86/91 – £98½
8¼% Uns Cap Ln Stk 86/93 – £95 7 8
12% Uns Cap Ln Stk 2010 – £105⅞ 6⅛
Commerzbank Ag Cdbr(Iss Warburg) DM10 – £17½ (4Jy89)
Copenhagen Handelsbank AS New DK100 (Br) – £28.405611 DK312 (30Je89)
GPG PLC 4.2% Cum Prf £1 – 55
Hambros PLC 7.5% Cum Cnv Red Prf £1 – 98½ 9
7½% Subord Uns Ln Stk 88/93 – £88 (4Jy89)
10¾% Subord Uns Ln Stk 93/98 – £99½ ¾ 100
14% Subord Uns Ln Stk 2002/07 – £115¾ 6⅛

[illegible]

Rule 535(2)
No. of bargains included 19

African Gold PLC Ord 1p – £0.115 0.12 (30Je89)
Amalgamated Metal Corp PLC 5.4% Cum Prf £1 – £0.35 (5Jy89)
Arsenal Football Club Ld Ord £1 – £1300 (4Jy89)
Barrington Management(CI) International Income – £1.9
Barryhurst PLC Ord 1p – £0.03◆
Berwick Group PLC Ord 5p – £0.365
Dart Valley Light Railway Ld Ord £1 – £3.8 (5Jy89)
Douglas Gas Light Co Ld Ord £1 – £4.15 (4Jy89)
Electrak Hldgs PLC Ord 1p – £0.2 (30Je89)
Emerald Energy Ld Ord 1p – £0.08 (3Jy89)
Entertainment Group Hldgs PLC New Ord 10(Nil Pd–10/7/89) – £0.093844 (4Jy89)
Exchem PLC Ord 50p – £1⅞◆
Finance Land & General Hldgs PLC Ord 5p – £0.05
Fredericks Place Hldgs PLC Ord 20p – £0.07
Glencar Explorations PLC Ord Ir£0.02 1/2 – 0.46
Greenstar Hotels PLC Ord 10p – £0.65 (3Jy89)
Guernsey Gas Light Co Ld Ord £1 – £6¾ (4Jy89)
Guernsey Press Co Ld Ord 10p – £2.1
Guiton Group Ld Ord 10p – £2½ (30Je89)
Hartley Baird PLC Ord 5p – £0.53
Hydro Hotel Eastbourne Ld Ord £1 – £4.05 (3Jy89)
Le Riche's Stores Ld Ord £1 – £4.03 (5Jy89)
MIM Britannia International Ld Japan Income & Growth – £2.263 (3Jy89)
Merrell Hldgs PLC Ord 10p – £1.85 (3Jy89)
Mid Anglia Radio PLC Ord £1 – £4.45 (30Je89)
North West Exploration PLC Ord 20p – 33 (5Jy89)
Owl Creek Investments PLC Ord 5p – £0.075◆
Panther Securities PLC Ord 25p – £5.4 5.8 (30Je89)
Paramount PLC Ord 2.5p – £0.17875 0.18 (4Jy89)
Rangers Football Club PLC Ord £1 – £40◆
Rigby Electronics Group PLC Ord 5p – £0.0775 (3Jy89)
South Quay Investment Ld £1 – £1.6

[illegible]

By Permission of the Stock Exchange Council

The Third Market Appendix
No. of bargains included 288

Beckenham Group PLC 9% Red Cum Prf £1 – 95 (4Jy89)
Kromagraphic PLC Ord 5p – 21◆
Malaya Group PLC Ord 10p – 37
Medirace PLC Warrants to sub for Ord – 186
Poddington PLC Ord 5p – 94 ½ 6
Royal Sovereign Group PLC Cum Cnv Red Prf 2006 25p – 60

LONDON STOCK EXCHANGE

Late surge leaves FTSE up 27.9

Account Dealing Dates			
*First Dealings:	Jun 19	Jul 3	Jul 17
Option Declarations:	Jun 29	Jul 13	Jul 27
Last Dealings:	Jun 30	Jul 14	Jul 28
Account Day:	Jul 10	Jul 24	Aug 7

*New time dealings may take place from 9.00 am two business days earlier.

The London equity market ended the week in a blaze of glory as economic data from across the Atlantic took the pressure of short term interest rates and corporate moves in London fuelled yet more takeover speculation.

Equities opened marginally firmer, helped by the positive trends in New York and Tokyo overnight, which gave the London market a fillip in early exchanges, despite evidence on the overnight ticker of a small sell scale programme. This bullish mood moved into overdrive when Hoare Govett, the stockbrokers, launched the latest of a series of market raids on Gateway, the supermarkets group. Gateway is the target of competing bids between Isosceles, the initial bidders, and Newgateway, the latter backed by US interests.

The raid, carried out at 242p a share, netted the Newgateway camp around 20 per cent more of Gateway, lifting their overall stake to around 30 per cent.

The 379m turnover in Gateway accounted for almost half of the turnover in the market which at 5pm totalled 774.8m shares, a figure described by senior traders as "slightly disappointing."

After the Gateway raid the market settled to await the US employment figures for June. These caused a bout of uncertainty because of a big revision in the figure for May. But London, after some confusion, caused in part by technical problems with the Seaq trading system, continued to edge higher, stimulated by a good start to trading on Wall Street.

As the session drew to a close share price took a strong leap forward when South West Bank of St. Louis, one of the smaller US banks but one known as a good general indicator of the general mood on US rates, lowered its prime lending rate by one half of a percentage point to 10½ per cent.

The FT-SE 100-share index, registering its biggest one-day gain since February 7, closed with a 27.9 rise at 2,189.1, within threatening distance of its post-Crash closing high of 2,209.4, achieved on June 28.

But a number of equity market strategists in London remain cautious ahead of the spate of crucial UK economic data scheduled for next week.

Mr Bob Semple writing in County NatWest's Equity Market Analysis, says "the recovery in the exchange rate has taken the pressure off interest rates and underpinned the equity market but as the summer lull gets underway we expect little excitement." Warburg Securities' Friday Equity Briefing notes "the market is entering the silly season of July and August in which low market activity, few company results and potentially bad economic news on both sides of the Atlantic will combine to place a great many obstacles in the way of progress above 2,200."

FINANCIAL TIMES STOCK INDICES

	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.43	85.47	85.72	85.74	85.47	87.90	89.29 (9/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.80	96.54	96.52	96.82	96.33	97.38	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1816.6	1794.7	1798.0*	1800.3	1791.6	1506.8	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	206.0	203.7	199.1	196.5	195.2	221.8	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Year Ago
Ord. Dl. Yield	4.43	4.49	4.47	4.48	4.48	4.46
Earning Yld %(full)	10.38	10.56	10.52	10.49	10.53	11.33
P/E Ratio(Net)(☆)	11.61	11.42	11.47	11.50	11.46	10.75
SEAQ Bargains(5pm)	24,296	21,882	19,615	22,379	25,078	27,320
Equity Turnover(£m)†	-	1007.10	956.05	1118.90	1115.66	1288.97
Equity Bargains†	-	23,997	22,850	26,145	28,677	26,970
Shares Traded (ml)†	-	440.2	346.9	393.0	435.1	451.1

Ordinary Share Index, Hourly changes

●Opening	●10 a.m.	●11 a.m.	●12 p.m.	●1 p.m.	●2 p.m.	●3 p.m.	●4 p.m.
1794.1	1803.8	1805.8	1806.9	1808.9	1807.4	1805.7	1808.1

DAY'S HIGH 1816.6 DAY'S LOW 1794.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 11.50 †Excluding intra-market business. *Based on 4.06pm prices

● S.E. ACTIVITY

Indices	Jul 6	Jul 5
Gilt Edged Bargains	77.4	68.0
Equity Bargains	155.5	148.3
Equity Value	2035.6	1932.4
5-Day average		
Gilt Edged Bargains	83.3	86.7
Equity Bargains	172.6	178.4
Equity Value	2242.4	2437.1

● London Report and latest Share Index: Tel. 0898 123001

Another Gateway raid

Gateway accounted for well over a third of the day's trade in the market after Hoare Govett, the broker acting for US bidders Newgateway, bought a further 19 per cent of the UK supermarket group at 242p a share. Only one of the three largest institutional stakeholders, Phillips & Drew Fund Management with 6 per cent, sold to Hoare, leaving M & G and the Prudential still to make up their minds whether to opt for the American or the UK offer from the Isosceles consortium.

The purchases took the Newgateway stake to over 30 per cent, enough to block a complete takeover by Isosceles, which currently speaks for 44 per cent of Gateway. "This gives Newgateway a much stronger negotiating position than they had," commented one analyst, who felt the balance in the conflict was swinging away from Isosceles.

"I can see Isosceles assenting to the Newgateway offer pretty soon – I just don't think the stub argument has worked," said another who felt that the morning raid had given Newgateway a slight edge in what is a "finely poised and desperately close" battle. By the close the Gateway price had firmed 3 to 240p on turnover of nearly 292m shares.

...and Biscuits waits

A story that Swiss group Jacobs Suchard would bid 500p a share for United Biscuits on Monday dominated business in a lively Foods sector. That representatives of Suchard management were spotted in the City during the day only added fuel to the rumours. Their presence, and reports of continued European demand, was enough to send UB 13 higher to 394p, after 399p, on turnover of 7.7m shares. "There was some very informed buying today," said a trader.

Yet not every one was rushing to believe the Swiss bid talk. One broker left his meeting with the Suchard team with the impression that the Swiss group was unlikely to make an offer for UB; "Suchard said they are looking to build up their confectionary side, so United Biscuits would not fit in well with their plans," he said.

The UB shares are still underpinned by hopes that the group will get a good price on the sale of its Wimpy and Pizzaland restaurant chains. However, if the bid stories, which have been circulating for a long time, come to nothing, the UB price could suffer a reaction, warned dealers.

Divergent BTR view

News of a downgrading from Robert Fleming Securities knocked BTR back against the market trend. The price fell to 391p in busy trade before recovering before the close to end unchanged on the day at 395p. Seaq clocked up 4.4m shares traded.

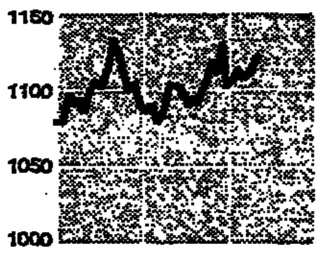
After a meeting with the company, Mr Robert Gibson, analyst at Flemings, changed his recommendation from a buy to a hold. He said that BTR Nylex, the 63 per cent owned Australian subsidiary, was not going to meet first half forecasts. The problem is a lack of orders for the Taiwanese plastics operation, which gave Nylex a quarter of its profits last year. Business from China is in decline, a trend which began before the recent unrest there, possibly because of a lack of hard currency.

The stock recovered during the afternoon, however, as several analysts said that this view was over pessimistic. Some said they already had the Nylex shortfall in their figures and Mr David Ireland, analyst at Hoare Govett, said that the weakness "could present a buying opportunity."

US buyers continued to chase International stocks after a lull early in the week. ICI added 29 at 1251p, Glaxo climbed 32 to 1384p and Reuters close 20 better at 778p

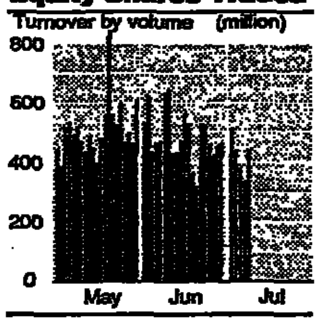
Beecham added 8 at 640p on rapid turnover of 4.8m shares traded. Dealers once again spoke of UK institution increasing their weightings in anticipation of the listing in the FTSE 100 of SmithKline Beecham – the result of a merger with SmithKline Beckman of the US which will have a much higher capilatisation than Beecham.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



There was some keen interest in the banks. Mr Alan Greenberg at Citicorp Scrimgeour Vickers reaffirmed his positive stance on the sector: "With less than a month until the clearing banks interim results we anticipate the usual surge of interest to drive the sector relative away from its current low. With some potential surprises in dividend cover reductions the sector looks remarkably cheap." NatWest led the way, rising 10 to 299p on volume of 2.7m shares, the best of the sector.

Cement manufacturers moved against the trend following a warning from Blue Circle Industries that cement supplies may be disrupted by an industrial dispute at its Northfleet operations. BCI gave up 3 to 521p, while RMC slipped 3 to 756p and Rugby fell 5 to 196p. Steetley was another sector casualty, losing 5 to 435p, but further recommendations drew buyers to BPB Industries which settled 8 up at 249p: Flemings Research rate the group as the European leader in growth product.

Stores were mostly firmer with the market, although Ward White bucked the trend with a fall of 9 to 439p after one investor decided to sell and take his profits in spite of the current offer of 400p a share from Boots. Burton maintained its strong recent form, gaining another 11 to 282p on volume of 3.9m shares. Also better were Body Shop, up 10 at 802p.

Racal Electronics continued to firm on buying from one of the bulls of the stock, US house Goldman Sachs, and in anticipation of what might be revealed at a series of presentations to analysts starting in London on Thursday and moving to the US. It closed 24 better at 458p as 7.1m shares changed hands. Its other half, Racal Telecom, firmed 22 to 413p on a positive chairman's statement at yesterday's agm.

Food manufacturing stocks were busily traded amid sustained bid speculation. Possible candidates for takeover approaches included Berisford International, Cadbury Schweppes, Ranks Hovis Macdougall and Unigate. All four stocks closed the day 8 higher, at 167p, 381p, 489p and 390p respectively. Berisford and Unigate were buoyed by hopes that Mr Larry Goodman, the Irish meat magnate, will use his stakes to launch a bid for one of the two groups, RHM were better on anticipation of a move from 29.9 per cent holder Sunningdale, while Cadbury Schweppes firmed on suggestions that US group General Cinema may have sold its stake.

Financial software specialist Quotient said it expected to lose money for the full year the price slumped 17 to 80p.

Britannia Security jumped 20 to 193p on suggestions that Racal would bid for them next week. Another possible bidder is Yale and Valor, which also rose on the activity in the security business, ending at 335p, a rise of 6 on the day.

Specialist printer De La Rue continued to rise on bid talk, jumping another 20 to 340p. Thursday's story that Mr Carlo de Benedetti, the Italian financier, was increasing his per cent stake remained unconfirmed, and support came from a stream of small buyers.

"There is a bid premium of about £1 a share," explained Mr John Kenny of BZW. A takeout price would be between 350p and 400p, he explained, because of the Crosfield operation, which makes electronic equipment for the printing industry. "de La Rue needs a partner to allow Crosfield to compete in world markets, "but if it succeeds, the bid premium will go."

Pharmaceuticals wholesaler Macarthy jumped 22 to 251p, after 255p,and making a two day improvement of 34. Dealers were inspired by last month's good figures from AAH, which operates in a similar business, and investors saw the stock as having languished unregarded at a discount to the market since February. Interims next Thursday will supply the verdict in the rise. BZW is predicting £3.75m profit against £3.86m over the previous period.

Television stocks continued firm on the back of Thursday's confirmation that Thames TV was in informal bid talks with Carlton Communications and in spite of the feeling among some marketmakers that the rises had been overdone.

Avesco, sometimes descibed as a mini Carlton, was sought after by investors. The shares climbed 7 to 150p while the nil paid jumped 9 to 26p in a tight squeeze.

Tottenham Hotspur scored a rare gain closing up 7 at 115p, after 119p, on news of of a £4¼m asset disposal.

Renewed US interest found Jaguar shares responsive late and the close was 11 higher at 356p.

It was the turn of Greycoat to ride high on takeover speculation in the Property sector following the announcements earlier in the week that Imry Merchant and Arlington Securities were in bid talks. The word in the market yesterday was of a possible link-up between Hammerson and Greycoat, the latter subsequently adding 17 at 503p and the former 8 at 784p in the "A" shares.

Aggressive buying of BAT Industries and traded options accompanied fresh talk of the group's break-up potential and the shares surged 18 to 675p. BAT earlier this week held a presentation in the City on the recently-acquired Farmers Group and some analysts were impressed.

Another big trade developed as MAI, the financial services and marketing combine, confirmed major European expansion through a deal with the French Havas group. Certain MAI businesses are to be injected into Avenir, a subsidiary of Havas, which will be considerably enlarged and ultimately owned 51 per cent by Havas and 36 per cent by MAI.

Some speculators were disappointed that the news was not a full takeover of MAI. Many reduced their commitments but the sales were readily absorbed and the shares, up 6½ the previous day, lost only 2½ at 105p in volume of 8.7m. The majority of analysts were bullish of the longer-term implications for the group. MAI also announced yesterday an increased holding of 23.7 per cent in agency Addison Consultancy.

Alva was the feature among investment trusts, rising 30 to 315p on the previous day's late news of a 314p per share offer from ERI. The latter, a recently-formed investment company owned jointly by Ensign Trust and La Compagnie Financiere Edmond de Rothschild Banque, was obliged to make the offer after purchasing a further 22.5 per cent stake in Alva at 314p a share from Temple Bar Investment Trust. Added to ERI's existing holding of 27 per cent, it took the grand total above the 30 per cent level.

LIT Holdings weakened suddenly and marketmakers were unable to find an explanation for the selling until much later in the session. The resignation was then announced of chief executive Mr Michael Middlemas and the shares fell further to end 11 down at 124p.

TR Energy revived 3 to 21p on reports that the board is looking at various proposals, including one from Henry Ansbacher which yesterday disclosed a stake of 10.17 per cent.

The steep rise on Wall Street after the prime rate cut announced by one of the US banks helped the oil and gas sector just before the close. British Gas picked up 3 to 196p on turnover of 9.3m. BP moved up 4 to 297p on 6.5m and Shell hardened to 416p on 3.2m.

■ Other market statistics, including the FT-Actuaries Share Index, Page 9

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,100	132	+3½	Costain	821	336	+1½	Laporte	87	499	+2	Royal Bk of Scotland	472	390	+1
Allied-Lyons	1,800	465	+6	Courtaulds	1,200	359	+4	Legal & General	2,700	316	+3	Royal Insurance	1,700	394	+5
Amstrad	1,400	79		Dalgety	1,200	377	+5	Lloyds Bank	1,200	336	+7	STC	1,100	366	+7
Argyll Group	2,800	223½	+4½	Dixons	1,100	157½	+1½	LASMO	614	498	+8	Saatchi & Saatchi	540	315	+5
Ass. Brit. Foods	352	323	+4	Eng. China Clays	237	472	+5	Lonrho	561	278	+2	Sainsbury	708	251½	+1½
BAA	995	348	+2	Enterprise Oil	195	590	+1	Lucas	394	636	+6	Scott & Newcastle	493	369	+4
BAT Inds.	5,800	675	+18	FKI Babcock	1,300	175	+1	MB Group	3,100	398	+5	Sears	2,700	119	+2
BET	1,000	285	+2	Fisons	579	325	+1	MEPC	221	573	+6	Shell Transport	3,200	416	+3
BICC	448	585		Gateway Corp	379	240	+3	Marks & Spencer	1,200	195	+1	Siebe	257	559	+5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas	9,300	196	+3	Hammerson 'A'	665	784	+8	Prudential	1,600	223	+4	Tesco	997	185	
British Land	1,000	368	+6	Hanson	4,200	235½	+1	RMC	3,100	493	+8	Thorn EMI	890	762	+7
BP	6,500	297	+4	Harrisons & Cros.	576	165	+2	RMC	611	756	-3	Trafalgar House	734	546	+4
British Steel	10,000	74	+1	Hawker Siddeley	113	728	+3	RTZ	1,300	499	+5	Trusthouse Forte	1,900	330	+7
British Telecom	6,400	257	+4	Hillsdown Hldgs	931	273		Racal	7,100	458	+24	Ultramar	2,100	325	+5
Burmah Oil	1,000	612	-5	ICI	1,900	235	+5	Rank Org	136	1036	+3	Unilever	1,400	606	+5
Burton	3,900	282	+11	Imp. Chem.	1,000	1251	+29	Reckitt & Colman	279	1141	+20	United Biscuits	7,635	394	+13
Cable & Wireless	1,300	501	+2	Inchcape	94	367	+7	Redland	2,700	566	+6	Utd. Newspapers	142	834	+1
Cadbury Schweppes	4,100	385	+12	Jaguar	1,200	356	+11	Reed International	766	419	+6	Wellcome	998	486	+5
Carlton Comms.	422	825	+14	Kingfisher	198	313	+4	Reuters	1,400	778	+20	Whitbread 'A'	1,500	349	+4½
Commercial Union	957	382½	+4½	Ladbroke	1,400	296	+8	Rolls-Royce	1,340	196	+1	Williams Hldgs.	1,300	332	+1
Cons. Gold Fields	617	1481	+8	Land Securities	611	570	+6	Rothmans	633	589	+9	Wimpey	735	341	+6

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (192).
BRITISH FUNDS (7) AMERICANS (1) CANADIANS (1) BANKS (2) BREWERS (1) Burtonwood Brewery, BUILDINGS (2) Jackson Grp., Tilbury Grp., CHEMICALS (3) Canning (W.), Ellis & Everard, Ransom (Wm.), STORES (4) Betterware Cons. Prod., Body Shop Int'l., Etam, Fine Art Devs., ELECTRICALS (7) Bowthorpe, CML Microsystems, Clarke (T.), Molynx, Oxford Instr., Pelon, TGI, ENGINEERING (8) Cook (Wm.), Edbro, Powerscreen Int'l., Savile Gordon, Wheeson, FOODS (11) INDUSTRIALS (11) Brit. Syphon, Charter Cons., Creata, Excalibur Grp., Grafton, Hales, ISA Int'l., Johnson Matthey, Pentland, Stocklake, Unilever, INSURANCE (2) Allianz AG, Trade Indemnity, LEISURE (1) Avesco, PAPERS (2) Ferry Pick., Jarvis Porter, PROPERTY (8) SHOES (1) TEXTILES (1) TOBACCOS (1) TRUSTS (14) OILS (6) Great Western Res. Class "A", KCA Drilling, Triton Europe, MINES (7) THIRD MARKET (4).
NEW LOWS (32).
AMERICANS (1) CANADIANS (1) BUILDINGS (1) Federated Housing, STORES (2) ELECTRICALS (3) Real Time Cont., Star Comp., Wholesale Fitting, ENGINEERING (1) Carclo Eng., INDUSTRIALS (11) Amer Grp., C'bell & Armstrong, Chestergate Grp., Cornwell Parlowe "A", Halls Home & Gdns., Hestair, Lincat Grp., Low & Bonar, Oakwood Grp., Pergamon, Quotient, LEISURE (2) Bond Media, Hanimex, MOTORS (1) PROPERTY (2) TEXTILES (3) Ingham (G.), Lowe (R. H.), SEET, TRUSTS (2) Amalgamated F. Inv., Fulcrum Inc., MINES (2) Bond Corp., GM Kalgoorlie.

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	67	13	26	317	135	78
Corps. Dom. & Foreign Bonds	1	10	30	23	35	147
Industrials	505	236	855	2,197	1,439	4,320
Financial and Props	251	65	343	1,014	464	1,817
Oils	26	19	48	112	118	239
Plantations	0	1	10	4	3	48
Mines	40	30	104	202	191	477
Others	74	63	125	243	415	612
Totals	964	437	1,541	4,112	2,860	7,738

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday July 6 1989

Food Retailing	+	32.12	Oil & Gas	+	21.46
Transport	+	32.05	Consumer Group	+	21.11
Conglomerates	+	31.55	Food Manufacturing	+	20.88
Agencies	+	29.81	All Share Index	+	19.79
Mechanical Engineering	+	29.67	Stores	+	17.99
Gold Mines Index	+	25.82	Mining Finance	+	17.27
Motors	+	25.44	Textiles	+	16.58
Investment Trusts	+	25.04	Insurance(Life)	+	15.06
Other Industrial Materials	+	24.92	Metals & Metal Forming	+	12.66
Health & Household Products	+	23.91	Contracting,Construction	+	9.44
Building Materials	+	23.84	Property	+	8.81
Other Groups	+	23.67	Publishing & Printing	+	8.63
Electronics	+	23.40	Financial Group	+	8.33
Capital Goods	+	22.79	Insurance(Composite)	+	8.24
Leisure	+	22.51	Packaging & Paper	+	7.84
Chemicals	+	22.31	Banks	+	7.38
Industrial Group	+	22.29	Telephone Networks	+	5.38
Electricals	+	22.15	Overseas Traders	+	4.65
500 Share Index	+	22.14	Merchant Banks	+	4.20
Brewers and Distillers	+	21.93	Insurance(Brokers)	+	4.12

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	105-21	-9/32	11.33	11.39	11.32
	9.750	1/98	96-02	+8/32	10.46	10.59	10.69
	9.000	10/08	95-28	+11/32	9.47	9.58	9.70
US TREASURY *	9.125	5/99	107-10	+7/32	8.03	8.09	8.31
	8.875	2/19	109-04	+13/32	8.06	8.08	8.38
JAPAN No 111	4.600	6/98	95.1298	+0.469	5.24	5.48	5.38
No 2	5.700	3/07	105.9768	+0.393	5.06	5.19	5.08
GERMANY	7.000	2/99	102.4000	+0.050	6.64	6.71	6.79
FRANCE BTAN	8.000	1/94	96.7893	+0.181	8.86	9.01	8.90
OAT	8.125	5/99	98.5200	+0.290	8.65	8.71	8.73
CANADA *	10.250	12/98	105.8250	+0.025	9.30	9.30	9.46
NETHERLANDS	7.000	3/99	99.5000	+0.120	7.07	7.14	7.24
AUSTRALIA	12.000	7/99	91.8943	-0.152	13.50	13.47	13.67

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Coffee plunges as price war looms

COFFEE PRICES sank to 8-year lows on the London futures market this week after any lingering hopes of a reprieve for the beleaguered International Coffee Agreement had finally been dashed.

The crunch came on Monday when International Coffee Organisation delegates meeting in London abandoned attempts to rescue the agreement's price-supporting functions and settled for a 2-year extension without economic clauses. Although the current pact, negotiated in 1984, is not due to expire until the end of September the export quota system through which its has tried vainly to stabilise prices was suspended from Tuesday, plunging the world market into a free-for-all.

As importers looked forward to a coffee price war, with producers vying with each other to carve out increased shares in an oversupplied world market, the September position on the London market plunged £183 to £930 a tonne and the ICO's composite daily indicator price slumped to 82.71 US cents a lb, 37.29 cents below the "floor" price the agreement had been attempting to defend.

First shots in the looming price war were fired by Brazil on Thursday night when Mr Jorio Dauster, president of the Brazilian Coffee Institute, announced that limitations on Brazilian coffee export registrations had been removed for the rest of the year and that shipments before the end of September would benefit from a 5 per cent discount on the minimum registration price.

That news, together with expectations of similar actions by Brazil's competitors, sent London's September futures price down to £805 a tonne yesterday morning. Reports of cold weather in Brazilian coffee regions overnight helped to lift prices later, although dealers doubted that there had been any serious damage to flowering for next year's harvest.

World sugar prices also suffered a sharp setback this week, with a technical reaction against recent gains prompting a £32.60 fall in the London daily raws price on Thursday. The fall was also influenced by talk that Brazil planned to renegotiate export contracts suspended because of alleged "irregularities" in deals negotiated by the country's Sugar and Alcohol Institute between 1983 and 1985.

However, Brazilian traders said they doubted that the contracts, covering the sale of some 1.8m tonnes of sugar at prices as low as $80 a tonne, would be renegotiated. "At the time being there is no Brazilian sugar available," one explained. Sugar futures prices yesterday regained a little of the lost ground.

A report published earlier in the week by E.D. & F. Man, the London trade house, saw strong medium term prospects for sugar prices. Restricted supplies and escalating demand for white sugar against a background of very limited stocks "could drive current values higher," said Man, although it did not suggest that 1980 high of 48 US cents a lb was attainable. The current level is equivalent to just over 13 cents a lb.

On The London Metal Exchange copper prices retreated further as prospects of serious supply disruption resulting from the current round of North American labour contract negotiations continued to fade.

News of a settlement at Magma copper of the US, coupled with continuing talks at Canada's Highland Valley and the imminent return to work at Metallurgie Hoboken-Overpelt's Olen refinery in Belgium kept the market on the downward path on Monday. And later in the week dollar weakness exacerbated the trend. By Thursday's close the LME cash quotation was down to a 9-month low of £1,474 a tonne and the New York prompt price had dipped below the psychologically important $1 a lb level.

The market continued to be underpinned, however, by the low level of LME warehouse stocks of copper following a run of seven consecutive weekly falls which cut the total from 135,050 tonnes to 81,675 tonnes. Expectations of a further substantial fall this week helped to steady the market yesterday, along with concern about prospective strikes at Minero Peru and Canada's Highland Valley, and the cash price rallied to £1,488 a tonne. But that was still £128.50 down on the week.

The dollar's fall also depressed lead, the LME's other sterling-denominated contract, which fell £14 in the cash position to £420.50 a tonne. But the dollar contract for nickel was equally weak with the cash quotation ending $1,310 down on the week at $11,640 a tonne after relinquishing recent gains based on concern about nearby availability. Meanwhile zinc and tin ended with modest losses while cash aluminium was unchanged on the week.

Richard Mooney

APPOINTMENTS

Director posts at BZW

■ BARCLAYS DE ZOETE WEDD SECURITIES has appointed the following directors: Mr Robert Brand, Mr Neil Everingham, Miss Christine Gale, Mr David Gillespie, Mr Geoffrey Guinness, Mr Nicholas Hadow, Mr Euan Harkness, Mr Geoffrey Kelly, Mr William Lamond, Mr Howard Pagel, Mr Peter Rendell, Mr Graham Sadler and Mr Kaye Squires. Barclays de Zoete Wedd has appointed Mr Jonathan Scott as a managing director, and the following as directors: Mr Andrew Christie, Mr Colin Condren, Mr Nigel Denison, Mr Nigel Hawke, Mr Robert Stredder.

■ ALEXANDER STENHOUSE UK has appointed Mr Jim Agnew as a local director, Southampton.

■ Mr Michael Tripp, planning manager, has become an assistant general manager of GUARDIAN ROYAL EXCHANGE's strategic planning division.

■ Mr Ian Jenkins has become senior partner of BARLOW LYDE & GILBERT in succession to Mr Brian Pisterius who has retired to devote all his time to the professional work of the firm.

■ ASTRA HOLDINGS has appointed Mr John Anderson, a main board director, as a director of Astra Defence Systems (formerly BMARC), a wholly-owned subsidiary. He relinquishes his post as group company secretary. Mr Ray Smith, company secretary of Astra Defence Systems, additionally becomes group company secretary.

Mr George Beagley (above) has been appointed marketing director of pharmaceuticals in the UK from August 1 at CIBA-GEIGY PHARMACEUTICALS, Horsham. He was director of marketing, Ciba-Geigy (Canada).

■ PRESSAC HOLDINGS has made the following director appointments at main subsidiary Pressac: Mr Terry Millington, managing; Mr Colin Smith, sales; Mr Mike Jepson, technical; Mr Jo Moody, finance; and Mr Colin Roper, manufacturing.

■ Mr Christopher Henry has been appointed to the board of SPEYHAWK LAND & ESTATES. He was chief executive of the Courage Pub Company, and executive director, Property of Courage. Mr David Herring has been appointed managing director of Speyhawk Projects. Mr Robert Maxted, a director of parent company Speyhawk, leaves the company on October 31.

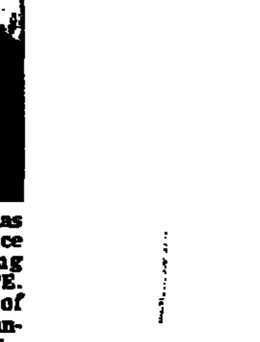
■ Mr Jonathan Radford has been appointed company secretary of STAG FURNITURE HOLDINGS following the retirement of Mr Colin McKenzie.

■ Mr Peter E. Hobson has joined ALFRED McALPINE as director of group safety from Y.J. Lovell (Holdings) where he was group safety manager. Dr Maurice J. French has been appointed operations director of ALFRED McALPINE CONCRETE MASONRY, Chester. He was regional operations manager with Tarmac Topblock's southern region.

■ Mr Stephen Walters has been appointed financial director of Walsall lock company, W.J. GOODWIN AND SON. He was financial accountant at Yale Security Products, the parent company.

Mays Group restructures

■ Mr S. Newlands, chief executive of the A.T. Mays Group, has become executive chairman of the principal trading company, A.T. Mays. Following the acquisition of the group by THE ROYAL BANK OF SCOTLAND GROUP, Dr Cameron McPhail, senior manager, group strategic planning at the bank, joins the board of A.T. Mays Group (Holdings), and A.T. Mays Group. Mr J.T.H. Miller, group financial accountant at the bank, joins the board of A.T. Mays Group. Mr J.H. Moffat remains chairman of A.T. Mays Group (Holdings) and A.T. Mays Group, while Mrs M.W. Moffat remains a non-executive director of both companies. Mr and Mrs Moffat have resigned from the board of A.T. Mays.



Mr Colin McLean (above) has been appointed division vice president of leasing operations, HERTZ EUROPE. He is managing director of Hertz Leasing and Fleet Management in the UK, a post he will retain. He will also assist in co-ordinating the activities of the recently-acquired Axus Group, which operates Hertz Leasing in continental Europe.

■ ALAN PATRICOF ASSOCIATES has appointed Miss Anne Glover as an assistant director. She joins from Bain & Co in Boston.

■ DAIWA EUROPE BANK has appointed Mr Neil Blair as an associate director - head of banking. He was credit and risk director - UK banking at Midland Bank.

■ ROYAL LIFE INTERNATIONAL, Isle of Man, has appointed Mr Keith Ross as corporate development manager. He was senior vice president, marketing support, Unilife Group, Luxembourg.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	53.16	53.81	57.25	+0.07	4.79
Gilts & Fixed Int	6	109.8	109.8	116.4	-0.4	8.59
High Inc Equity	6	133.0	135.8xd	144.5	+0.2	4.39
Worldwide Bond	6	201.9	201.9	214.0	+0.5	4.53
Capital Growth						
American Growth	6	181.1	183.2	194.9	+1.3	0.97
Asian Pacific	6	96.25	98.13	104.40	-0.3	1.25
Assets & Earnings	6	159.5	163.0	173.5	....	2.13
Capital Reserve Acc	0	85.68	85.68	85.74	....	4.67
Cmdty & Energy	6	100.8	100.8	107.9	-2.5	1.76
1992 Enterprise	6	58.09	59.20xd	62.98	+0.15	2.86
European Capital	6	87.68	88.36	94.01	+0.28	0.80
General	6	180.0	183.0	194.7	+0.8	2.31
International	6	46.42	46.71	49.70	+0.28	1.01
Japan	6	109.9	111.6	118.8	+1.1	0.00
Mastertrust	6	85.79	85.79xd	91.76	-0.77	1.89
UK Growth Acc	6	202.0	210.0	223.5	+0.1	1.25
UK Growth Dist	6	134.8	140.1	149.1	....	1.88
US Emerging Cos	6	52.09	53.76	57.20	+0.24	0.00
Income & Growth	6	299.1	305.3	324.8	+0.5	3.16
Ethical	6	49.25	50.41xd	53.63	+0.42	1.86

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	30.59	30.59	32.65	+0.12	3.39
European	5¼	66.30	66.38	70.66	+0.11	0.00
European Income	5¼	64.90	64.90xd	69.28	-0.14	2.99
Exempt	1	802.6	802.6xd	837.7	+3.1	2.17
Extra Income	5	43.46	43.46xd	46.39	+0.09	4.84
F East Emerg Cos	5¼	45.51	45.71xd	48.96	-	0.79
Fxd Inv Tst	5	123.4	123.4	131.8	+0.1	2.43
Do Accum	5	192.2	192.2	205.2	+0.2	2.44
Gilt & Fixed Int	5¼	21.29	21.29xd	22.72	-	10.64
Income & Growth	5¼	73.65	73.65xd	78.62	+0.01	4.09
Intl Income	5¼	62.78	62.78	67.02	+0.16	5.25
Japan	5¼	185.6	185.6	198.2	+0.7	0.00

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Str Dtd Gilt & FI	1¼	53.38	53.38	54.14	-	12.91

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5¼	56.82	56.65	60.59	+0.39	2.70
Global Tst	5¼	43.56	44.02	47.08	+0.09	2.01
Recovery Tst	5¼	53.82	56.40	60.02	-0.27	1.92

CISC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	108.7	110.1xd	116.1	+0.7	3.65

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America F	5	59.43	59.43	63.22	+0.13	0.64
CS International F	5	56.92	56.92	60.55	+0.30	1.71
CS Japan F	5	127.3	127.3	135.4	+0.4	0.32
CS Portfolio Inv ‡ F	5	73.73	73.73xd	78.43	-0.29	1.38

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	144.8	147.2	155.0	+0.50	2.99
Do Gen Accum	5	241.4	245.6	258.5	+0.80	2.99
Do Income Dist	5	95.69	97.73	102.9	+0.10	5.48
Do Inc Accum	5	219.2	223.9	235.7	+0.30	5.48
Gilt & Fxd Inc	5	36.39	36.45	38.36	-0.12	8.37

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5½	38.30	38.30xd	40.96	+0.04	2.47
Income	5½	47.54	47.54xd	50.84	+0.08	4.03
Far East ‡	5½	36.51	37.01	39.59	+0.03	0.05
North American ‡	5½	34.91	35.29	37.74	+0.22	1.90
Global ‡	5½	50.63	51.51	54.80	+0.09	1.79
European	5½	55.68	56.47	60.07	-0.36	0.90
Japan ‡	5½	105.9	105.9	113.3	+0.04	0.01
Intl Currency Bd	5½	43.87	43.87	46.52	+0.17	6.45
Strategic Opps	5½	54.43	54.43	58.21	-0.17	1.25

Capability Trust Mngrs Ltd (1200)F
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American & Gen	5	74.79	75.71	80.54	+0.37	1.78
(Accum Units)	5	78.09	79.04	84.09	+0.39	1.78
European Inc	5	56.00	56.00	59.57	+0.03	0.90
(Accum Units)	5	56.71	56.71	60.33	+0.04	0.90
Far East & Gen	5	65.10	65.10	69.26	+0.19	0.00

Equitable Units Admin
Walton St., Aylesbury, Bucks

Equity & Law Unit Tst

Exeter Fund Managers
23 Cathedral Yard, Exeter

FS Investment Managers
190 West George St, Glasgow

Midland Unit Trusts Ltd – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	6	57.81	57.81	61.85	+0.21	1.22
Japan Growth	6	379.6	379.6	406.2	+0.5	0.00
(Accum Units)	6	399.0	399.0	426.9	+0.4	0.00
Mandarin Tst	6	55.46	55.49	59.35	+0.11	2.31
(Accum Units)	6	55.92	55.95	59.84	+0.11	2.31
Mngd P'folio Acc	6	70.50	71.18	76.13	+0.16	1.99
Money Market UT	4	49.43	49.44	54.41	+0.1	10.76
North American	6	121.0	122.8xd	131.3	+0.7	0.23
(Accum Units)	6	149.4	151.6	162.1	+0.9	0.23
Smaller Cos	6	184.3	184.3	197.1	+0.1	1.81
(Accum Units)	6	204.3	204.3	218.5	....	1.81
Meridian Income	6	107.6	108.7xd	116.3	+0.5	3.37
(Accum Units)	6	111.5	112.7	120.5	+0.4	3.37
Meridian Growth	6	118.4	119.2	127.5	+0.5	1.75
Midland Personal Pension Unit Trust *						
British	6	58.62	59.30	63.08	+0.12	2.41
European Growth	6	58.74	58.84	62.60	+0.22	0.27
Gilt & Fixed	6	50.09	50.09	53.26	-0.1	9.03
Income	6	55.13	55.99	59.5	+0.17	3.45
Japan Growth	6	56.52	56.93	59.50	+0.05	0.00
Managed	6	55.58	56.41	60.01	+0.13	1.99
Money Market	6	52.84	52.84	56.01	+0.1	10.70
North American	6	56.57	57.68	61.36	+0.34	0.23
Midland FSAVCS Unit Trust *						
British	6	55.40	56.03	59.61	+0.12	2.41
European Growth	6	57.30	57.40	61.06	+0.21	0.27
Gilt & Fixed Int	6	49.28	49.28	52.40	-0.1	9.03
Income	6	55.95	56.85	60.48	+0.15	3.47
Japan Growth	6	57.86	58.18	61.89	+0.05	0.00
Managed	6	54.69	55.52	59.06	+0.13	1.99
Money Market	6	50.92	50.92	53.98	+0.1	10.76
North American	6	56.90	58.03	61.73	+0.34	0.23

Prudential Holborn Unit Tsts Ltd (1445)H
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Link Line 0800 010345
Two Hourly Pricing

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Holborn Trust	6	23.48	23.83	25.45	+0.02	1.11
Holborn Comm	6	76.61	76.61	81.93	-0.15	1.30
Holborn Equity Inc	6	68.95	68.95xd	73.74	-0.03	4.61
Holborn Equity	5	571.07	579.72	613.45	+1.20	3.29
Holborn European	6	136.44	136.98xd	146.50	-0.17	0.50
Holborn High Inc	6	83.61	83.61xd	89.42	+0.07	5.96
Holborn Intl Grth	6	117.24	117.24	125.39	-0.02	1.21
Holborn Intl Sm Co	6	53.26	53.26	56.96	-0.05	0.05
Holborn Japanese	6	154.70	160.53	171.65	+0.46	0.04
Holborn Nth Amer	6	91.64	92.53xd	98.96	-0.38	0.58
Holborn Premier Inc	6	42.57	42.57	45.52	+0.02	7.19
Holborn Sm Cos	6	71.23	71.23	75.19	-0.12	1.98
Holborn Spec Sits	6	99.92	99.92xd	106.86	-0.36	1.87
Holborn UK Growth	6	100.65	100.65	107.64	+0.46	2.37

Providence Capitol Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	5	96.09	96.09	102.6	-0.3	0.29
Worldwide Acc	5	100.10	100.10	106.90	-0.3	0.29
UK Equity Inc	5	75.04	75.04xd	80.50	-0.32	3.11
UK Equity Acc	5	82.53	82.53xd	88.55	-0.35	3.11
European Inc	5	116.90	116.90	125.00	+0.6	0.57
European Acc	5	121.10	121.10	129.50	+0.7	0.57
Nth American Inc	5	62.56	62.56	66.50	+0.33	1.50
Nth American Acc	5	64.87	64.87	68.97	+0.35	1.50
Japan Inc	5	116.70	116.70	124.80	+0.4	0.00
Japan Acc	5	116.90	116.9	125.10	+0.5	0.00
UK High Inc Eq Inc	5	71.12	71.12xd	76.80	-0.07	5.88
UK High Inc Eq Acc	5	80.94	80.94xd	87.41	-0.07	5.88
Hong Kong Inc	5	37.21	37.21	39.67	-0.09	3.38
Hong Kong Acc	5	38.50	38.50	41.05	-0.09	3.38
Swiss Equities Inc	5	37.24	37.24	40.01	-0.4	1.19
Swiss Equities Acc	5	37.56	37.56	40.36	-0.4	1.19
W'wide Bond Inc	5	52.70	52.70	55.66	-0.01	5.83
W'wide Bond Acc	5	54.42	54.42	57.47	-0.01	5.83
Emerging Asia Inc	5	79.49	79.49	85.18	-0.27	0.00
Emerging Asia Acc	5	79.49	79.49	85.18	-0.27	0.00

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	120.0	122.1	129.8	+0.1	2.66
PM Income & Gth	5	103.3	105.2	111.9	-0.3	4.68
PM Nth Amer Gth	5	53.35	53.35	56.75	+0.22	1.33
PM European Gth	5	57.27	57.27	60.92	+0.06	0.73
PM Japan Gth	5	78.57	78.73	83.75	+0.24	0.29
PM Overseas Gth	5	53.03	53.03	56.41	+0.23	0.46

Smith & Williamson Unit Tst Mgrs (1000)F
1 Riding House St, London W1A 3AS. 01-637 5377

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	165.1	167.2xd	176.9	-3.0	1.28
S & W Far Eastern	5	105.5	106.6	112.7	+0.1	0.00
S & W Growth	5	98.67	100.2	106.0	+0.2	1.42
S & W Income	5	99.53	101.9	107.8	+0.1	4.91
S & W Smllr Secs	5	268.6	277.8	293.9	+1.7	1.09

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cntrld Primece	5¼	50.54	51.32	54.65	-0.01	3.93
Ethical	5¼	47.67	48.61	51.41	+0.25	3.82
Income	5¼	46.42	46.25	49.25	-0.06	6.89
Intl Growth	5¼	60.23	60.52	64.73	+0.40	2.71
Managed	5¼	54.43	54.79	58.90	+0.35	3.80
UK Growth	5¼	48.30	48.93	52.33	+0.20	4.79

Standard Life Tst Mgmt Ltd (0659)H
3 George St, Edinburgh EH2 2XZ 0800 393777

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ● - 0001 to 1100 hours; ‡ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ◊ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London WC2B 6SD 01-405 8331						
Combi & Equity	5	62.94	65.90	70.10	+0.06	6.78
European	5	67.84	68.28	72.64	-0.28	0.98
Far Eastern	5	60.09	60.09xd	64.08	-0.42	0.66
Growth Inc	5	89.40	92.86	98.78	-0.12	1.40
Growth Acc	5	89.40	92.86	98.78	+0.12	1.40
Income Inc	5	83.59	85.48	90.94	+0.13	4.70
Income Acc	5	83.59	85.48	90.94	+0.13	4.70
Property Share	5	54.84	54.84	58.46	+0.09	0.99
Smaller Co's	5	59.28	62.52	66.50	+0.17	1.44
Nth.American	5	61.06	61.06xd	65.30	+0.01	1.63
International	5	47.41	47.41xd	50.70	+0.07	1.45
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	108.79	108.79xd	113.79	—	4.18
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.88	66.40xd	70.64	+0.20	2.57
YUTM UK Eqy Inc Tst	5¼	60.54	62.65	66.65	+0.08	4.50
YUTM Intl Gwth Tst	5¼	50.24	50.24	53.61	-0.05	1.02

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt. June 7 ... 485.3 ... 503.8

Cent. Bd. of Fin. of Church of England

2 Fore Street, London EC2Y 5AQ 01-588 1815

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd

37–39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	128.0	135.0	.....	–
Building Soc. Fd.	172.0	182.0	+2.0	–
Balanced	286.0	302.0	.....	–
European	179.0	189.0	+1.0	–
GT Managed	176.0	186.0	.....	–
Gartmore Mngd.	118.0	125.0	+1.0	–
German	128.0	135.0	+1.0	–
Gilt	182.0	192.0	–2.0	–
Global	48.0	51.0	.....	–
High Inc.	126.0	133.0	+4.0	–
International Equity	197.0	208.0	+1.0	–
Japan	242.0	255.0	+1.0	–
Managed	63.0	67.0	.....	–
Property	283.0	298.0	.....	–
R. W. Imperial Gold	146.0	154.0	–3.0	–
UK Equity	366.0	386.0	+1.0	–
Pension Funds				
American	149.0	157.0	–6.0	–
Building Soc. Fd.	172.0	182.0	.....	–
Balanced	220.0	232.0	.....	–
European	178.0	188.0	–1.0	–
German	112.0	118.0	–1.0	–
Gilt	156.0	165.0	+2.0	–
International Equity	143.0	151.0	–1.0	–
Japan	138.0	146.0	.....	–
Managed	65.0	69.0	.....	–
Property	218.0	230.0	.....	–
UK Equity	331.0	349.0	+1.0	–

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Grwth Mngd.	594.3	626.3	+0.9	–
Adventurous Mngd.	127.4	134.3	+0.4	–
Secure Mngd.	108.6	114.5	+0.1	–
Cash Fd.	234.4	247.1	+0.4	–
Property Fund	288.0	306.4	+0.6	–
Equity Fund	668.1	704.1	+0.6	–
Fxd. Int. Fund	297.7	313.8	+1.3	–
International	296.9	315.9	–1.5	–
High Income	468.8	498.8	+1.7	–
Far East	403.6	429.4	–1.7	–
North American	273.5	288.3	+0.5	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	Exch. 10pc 1989	[illegible]	.....	-	-
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	.....	11.07	13.42
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	.....	5.10	2.111
99½	[illegible]	Exch 10¼pcCv '89	99	.....	10.35	12.91
101[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	.....	12.96	12.34
130¼	124	Treas 2pc IL '90(284.6)	[illegible]	[illegible]	2.09	9.98
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	.....	11.09	12.57
101[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	.....	12.53	12.76
94¼	91[illegible]	Treas. 3pc 1990	94½	−⅛	3.19	10.76
96¾	95[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	.....	8.57	12.62
[illegible]	95¼	Treas. 8pc Cv 1990 ‡‡	[illegible]	.....	8.33	12.24
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	.....	10.30	12.43
[illegible]	87[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.74	9.61
101[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.82	12.14
[illegible]	89¾	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.25	10.96
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.38	9.78
100¼	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.34	11.98
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.18	11.71
94½	91[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.65	11.66
106[illegible]	102[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.36	11.28
99½	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.31	11.36
[illegible]	91	Treas. 8pc 1992 ‡‡	92½	.....	8.68	11.35
100¼	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	.....	10.71	11.29
[illegible]	82¼	Treas. 3pc 1992	[illegible]	[illegible]	3.60	9.63
[illegible]	101¼	Exch. 12¼pc '92	102½	[illegible]	11.94	11.22
109¼	104[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.72	11.13
[illegible]	90[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	8.99	11.06
100[illegible]	[illegible]	Treas 10pc 1993‡‡	97¼	[illegible]	10.27	10.86
108¼	103[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.91	10.92
87¼	84¼	Funding 6pc 1993‡‡	[illegible]	[illegible]	7.02	10.34
113¼	108¼	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.53	10.85
94½	89¼	Treas. 8½pc 1994	[illegible]	[illegible]	9.26	10.83
117[illegible]	112[illegible]	Treas 14½pc 1994‡‡	[illegible]	.....	12.74	10.64
113[illegible]	107[illegible]	Exch 13½pc 1994	[illegible]	.....	12.33	10.89
100¼	95[illegible]	Treas. 10pc Ln. 1994‡‡	97½	.....	10.28	10.67

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
59¾	55[illegible]	Funding 3½pc '99-04	[illegible]	[illegible]	6.14	8.68
102[illegible]	94¼	Conversion 9½pc 2004	97[illegible]	[illegible]	9.73	9.80
103[illegible]	94½	Conversion 9½pc 2005	97¾	[illegible]	9.71	9.77
111¼	102[illegible]	Exch 10½pc 2005	[illegible]	[illegible]	9.91	9.76
125[illegible]	115¾	Treas. 12½pc 2003-05	118¾	[illegible]	10.50	9.99
90¾	82¾	Treas. 8pc 2002-06‡‡	[illegible]	[illegible]	9.30	9.67
105¾	97[illegible]	Conversion 9¾pc 2006	[illegible]	[illegible]	9.70	9.67
118[illegible]	109[illegible]	Treas. 11¾pc 2003-07	[illegible]	[illegible]	10.40	9.98
96[illegible]	87[illegible]	Treas 8½pc 2007 ‡‡	[illegible]	[illegible]	9.31	9.51
134¾	123¾	Treas. 13½pc '04-08	[illegible]	[illegible]	10.99	9.90
101[illegible]	92[illegible]	Treas. 9pc 2008 ‡‡	[illegible]	.....	9.39	9.47
92[illegible]	84[illegible]	Treas 8pc 2009	[illegible]	[illegible]	9.17	9.41
102[illegible]	93[illegible]	Conv 9pc Ln 2011 ‡‡	[illegible]	[illegible]	9.30	9.34
68¾	62[illegible]	Treas. 5½pc 2008-12‡‡	[illegible]	[illegible]	8.44	9.16
89¾	82¾	Treas. 7¾pc 2012-15‡‡	[illegible]	[illegible]	9.12	9.30
132[illegible]	121¼	Exch. 12pc '13-'17	124¾	.....	9.60	9.37

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45¾	41½	Consols 4pc	[illegible]	.....	9.38	-
40¾	36¾	War Loan 3½pc‡‡	[illegible]	.....	9.23	-
70[illegible]	60[illegible]	Conv. 3½pc '61 Aft.	65[illegible]	.....	5.34	-
41[illegible]	31[illegible]	Treas. 3pc '66 Aft.	[illegible]	.....	8.71	-
30¼	26	Consols 2½pc	26½	.....	9.39	-
29½	25¼	Treas. 2½pc	26½	.....	9.39	-

Index-Linked

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88½	+¼	8.19	11.80
206	206	S Rhod 2½pc Non-Asstd	206	..	-	-
84½	84½	Do. 4½pc 87-92 Assd	84½	.....	5.35	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99¾	98½	Wwide Anglia 10¾pc 17 7 89	99⅞		10.73	14.02
99[illegible]	98[illegible]	Do. 11[illegible]pc 7 8 89	99[illegible]	.....	11.10	14.19
99[illegible]	98[illegible]	Do. 11[illegible]pc 29 8 89	99[illegible]	....	11.63	14.19
99[illegible]	99[illegible]	Do. 12¼pc 18 9 89	99[illegible]	...	12.44	14.18
99[illegible]	99[illegible]	Do 12[illegible]pc 2 10 89	99½	.	12.39	14.17
99[illegible]	98[illegible]	Do. 11[illegible]pc 6 11 89	98[illegible]	...	11.94	14.32
100	98[illegible]	Do. 12[illegible]pc 4 12 89	99½	...	12.45	14.20
100[illegible]	99[illegible]	Do. 12[illegible]pc 2 1 90	99[illegible]	..	12.91	14.29
100½	98¾	Do 12[illegible]pc 29 1.90	99[illegible]	...	12.68	14.27
100	98¾	Do 12[illegible]pc 26.2.90	98[illegible]	...	12.83	14.29
100	98[illegible]	Do. 12¾pc 19 3 90	98[illegible]	.	13.01	14.20
102¼	98½	Do. 3¾pcIL Ln 2021	102xd	+¼	4.30	4.45

Public Board and Ind.

47½	45	Met. Wtr. 3pc 'B'	46½	.	6.53	10.41

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	.	3.50	19.75
45	40	Do. 6pc 28 Stb Ass	40xd		3	17.50
45	40	Do 4pc Mixed Ass	40xd		[illegible]	15.00
80	65	Hung '24 Ass	80	.	3.75	13.47
139[illegible]	128[illegible]	Hydro Quebec 15pc 2011	131¼	−¼	15.00	11.12
128[illegible]	118[illegible]	Iceland 14½pc Ln 2016	122[illegible]	−¼	14.50	11.76
97¾	91½	Ireland 9¾pc '91-96	92½xd		9.75	11.40

INT. BANK AND O'SEAS

CORPORATION LOANS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LUXEMBOURG (**)

ISLE OF MAN (**)

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
597p	278p	Cullinet Sftwr 1c	563p	+15	–	–	–
27½	21¾	Dana Corp. $1	24	–	$1.60	–	4.1
12	854p	Data General	10¼	–	–	–	–
38	28½	Dun & Bradstreet $1	35	–¼	$2.00	–	3.6
41¼	30½	Eaton Corpn. 50c	36½	–⅝	h$2.00	–	3.4
11⅛	8¾	Echlin Inc.	10¼	+⅛	70c	–	4.2
20⅝	16⅞	FPL Group 1c	19¼	.....	$2.28	–	7.5
32⅞	27⅝	Ford Motor $1	29	–	$3.00	–	6.4
45½	30¾	GATX 62½c	45	+2	$2.00	–	2.8
35¼	24¼	Gen. Elect. 63c	32	–⅛	$1.64	–	3.2
568p	484p	General Host Corp $1	493p	+7	30c	–	3.9
39⅛	18¼	Gillette $1	24⅞	+⅛	96c	–	2.4
987p	610p	Gt Atl First Svgs Bk $1	771p	.....	60c	–	4.9
23⅝	16	Greyhound $1½	20½	.....	$1.32	–	4.1
14¼	847p	Hasbro Inc 50c	12⅜	.....	16c	–	0.8
49⅞	32¾	Honeywell $1½	45¼	–¼	$2.10	–	2.9
21¼	15¼	Houston Inds.	19⅝	+⅛	$2.96	–	9.5
74⅝	63	IBM Corpn $1¼	68⅞	–	$4.84	–	4.4
55p	45p	Image Storage/R.Sys 1c	55p	.....	–	–	–
28¼	18¾	Ingersoll-Rand $2	25⅛	+⅛	$1.20	–	3.0
33	22½	Lockheed Crpn. $1	29½	+⅛	$1.60	–	3.4
22⅞	15⅝	Lone Star Inds $1	19⅞	–⅛	$1.90	–	6.3
25	17½	Louisiana Land 15c	23⅛	+⅛	$1.00	–	2.7
17	11½	Lowe's 50c	15⅝	.....	48c	–	1.9
25	15	Manuf. Hanover $1	22¼	–	$3.28	–	9.1
20½	13	Merrill Lynch $1	17¾	+⅛	$1.00	–	3.5
2253p	1910p	Molex Inc.	2086p	+6	3.2c	–	–
27	18¼	Morgan (JP) $2½	23½	–¼	$1.66	–	4.5
54½	36¼	NYNEX $1	49⅛	–⅛	$4.36	–	5.6
24⅝	18¼	PHH Corp.	22	+⅛	$1.12	–	3.2
259p	218p	Pacific Agr.	218p	.....	–	–	–
27¼	19	Pacificorp $3¼	25	.....	$2.76	–	6.7
27	16⅞	Pacific Telesis 10c	25⅛	+¼	$1.88	–	4.7
22¼	15¼	Pall Corp. 25c	19¼	.....	48c	–	1.6
55⅝	39	Pennzoil 83 1/3c	49	–	$3.00	–	3.8
25½	17	Premark Intl	23½	–	84c	–	2.3
42¼	28⅝	Quaker Oats $5	39	+¼	$1.20	–	1.9
32⅝	23½	Rep NY Corpn $5	30½	–⅛	$1.28	–	2.7
15⅛	11	Rockwell Intl. $1	13	–	72c	–	3.4
35	21⅝	Southwestern Bell $1	31⅜	.....	$2.60	–	5.2
27⅞	17	Sun Co. Inc. $1	21	–⅛	$1.80	–	5.2
30¼	22	TRW Inc. 62½c	28½	+½	$1.72	–	3.9
22¼	14⅜	TW Services $5	21¼	.....	10c	–	0.3
36¼	26¼	Tenneco $5	33⅝	.....	$3.04	–	5.7
35	28	Texaco $6.25	31⅞	+⅛	♦$3.00	–	6.0
28	21⅝	Texas Instr. $1	24½	–	72c	–	1.9
117	58⅝	Time Inc. $1	95⅞	–⅛	$1.00	–	0.7
18	15	TRINOVA Corp.	16⅜	–	s64c	–	2.5
24⅞	16	USX $1	21	+	$1.40	–	4.1
164p	126p	Unitab	150p	.....	–	–	–
33	22¼	Utd. Technologies	31½	+⅛	$1.60	–	3.2
158p	128p	Utilitech Inc.	137p	.....	–	–	–
46½	31½	US West	43⅜	+¼	$3.76	–	5.4
35	22⅝	Waste Management $1	32	+¼	48c	–	0.9
20¼	13½	Whirlpool $1	19⅛	.....	$1.10	–	3.6
24⅛	16	Whitman Corp.	21¼	+½	$1.02	–	3.0
36	28¼	Woolworth $3½	32	+	$1.88	–	3.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ....γ	98	.....
Craig & Rose £1 ..γ	810xd	.....
Finlay Pkg. 5p ....γ	88	.....
Holt (Jos) 25p ....γ	1320	-23

IRISH

Cap. 8½% Ln. 1991 γ	£98¼	-1¼
9pc Cap Ln 1996 γ	£99¼	+¼
Fin. 13% 97/02 ..γ	£120	.....

Arnotts ......γ	420	
Carrol (P.J.) ....γ	130	-15
Hall (R. & H.) ....γ	165	..
Helton Hldgs ....γ	65	-6
Irish Ropes ......γ	300	..
United Drug ......γ	133	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons ......γ	38
Amstrad ......γ	11
BAT ......γ	45
BOC Grp ......γ	42
BSR ......γ	6½
BTR ......γ	32
Barclays ......γ	42
Beecham ......γ	50
Blue Circle ......γ	48
Boots ......γ	25
Bowaters ......γ	44
Brit Aerospace ......γ	52
British Steel ......γ	7½
Brit. Telecom ......γ	21
Burton Ord ......γ	18
Cadburys ......γ	31
Charter Cons ......γ	48
Comm Union ......γ	32
Courtaulds ......γ	30
FKI Babcock ......γ	14
FNFC ......γ	22
Gen Accident ......γ	85
GEC ......γ	20
Glaxo ......γ	110
Grand Met ......γ	48
GUS 'A' ......γ	90
Guardian ......γ	18
GKN ......γ	34
Hanson ......γ	16
Hawker Sidd ......γ	60
ICI ......γ	100
Jaguar ......γ	28
Ladbroke ......γ	48
Legal & Gen ......γ	26
Lex Service ......γ	33
Lloyds Bank ......γ	29
Lucas Inds ......γ	58
Marks & Spencer ......γ	15
Midland Bk ......γ	30
Morgan Grenfell ......γ	24
Nat West Bk ......γ	25
P & O Dfd ......γ	55
Plessey ......γ	22
Polly Peck ......γ	26
Racal Elect ......γ	40
RHM ......γ	42
Rank Org Ord ......γ	80
Reed Intnl ......γ	54
STC ......γ	32
Sears ......γ	10
TI ......γ	33
TSB ......γ	10
Tesco ......γ	14
Thorn EMI ......γ	56
Trust Houses ......γ	24
T&N ......γ	13
Unilever ......γ	46
Vickers ......γ	18
Wellcome ......γ	42

Property

Brit Land ......γ	32
Land Securities ......γ	52
MEPC ......γ	50
Randsworth ......γ	28

Oils

Brit Petroleum ......γ	22
Burmah Oil ......γ	50
Calor ......γ	35
Charterhall ......γ	2½
Premier ......γ	9
Shell ......γ	32
Ultramar ......γ	26

Mines

Cons Gold ......γ	100
Lonrho ......γ	30
RTZ ......γ	40

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FINANCIAL TIMES
Weekend July 8/July 9 1989

BBC pay rises 'a risk to services'

By John Gapper, Labour Correspondent

BETWEEN £40m and £50m will have to be cut from the annual cost of British Broadcasting Corporation services within two years to increase pay, senior BBC managers believe.

The estimate came as staff yesterday held their ninth one-day strike over pay.

Some senior managers believe that services such as Radio 1 and network local radio may be put at risk by the need to release extra money. However, a senior management team will first look at ways of reducing staff and improving efficiency.

The BBC says its revised pay offer to staff this year will cost £61m. Next year's pay settlement is likely to comprise an inflation-linked element, funded through the annual rise in the licence fee, added to money released by the review team.

The corporation estimated that about 9,500 staff took part in yesterday's stoppage between 10.30am and midnight. It said the number was significantly down from the 12,000 who had joined previous strikes over an imposed 7 per cent pay deal.

The stoppage was the first during the Wimbledon tennis tournament, but coverage of the tournament was not interrupted. The BBC said said 90 per cent of services were unaffected – Newsnight was the only programme lost.

Managers are convinced that a big uplift in pay over the next one to two years is needed to compete with independent companies. Mr Michael Checkland, BBC director-general, says this year's revised pay offer cannot be increased.

The review team is likely to look first at ways of reorganising services to improve productivity. One model likely to be examined is BBC North West, which has restructured services and cut costs in the past three years.

Mr Checkland supports closer linking of pay to performance and regional pay variations.

Mr Roger Bolton, national officer for the Broadcasting and Entertainment Trades Alliance, said that if the BBC was serious about financing improvements in staff pay, it should forward fund an increased pay offer this year out of the anticipated savings. Reforms needed to fund BBC pay rises, Page 5

Ports face disruption from Tuesday

By Jimmy Burns, Labour Staff

BRITAIN'S PORTS face widespread disruption from midnight on Monday after the Transport and General Workers Union, the UK's biggest union, yesterday called for strike action.

Thousands of dockers working in more than 60 British ports, and handling 70 per cent of the country's non-oil trade in terms on volume, have voted by a 3-1 majority in favour of strike action over the refusal of employers to negotiate a new national agreement covering terms and conditions.

The results of a ballot – 6,067 for a strike, 2,111 against, in a turn-out of nearly 90 per cent – are similar to those of a strike ballot held in May. This was never implemented because of court action against the union by employers. The union faces no legal obstruction to a strike as this was declared lawful by a Law Lords decision last month.

Employers say the prospect of a unified docks strike has been put in doubt because of local deals with dockers in some ports and indications that a growing number of dockers have chosen redundancy rather than strike action. Nearly 300 dockers in the Port of Sheerness in Kent yesterday voted not to strike next week after accepting new terms and conditions.

Associated British Ports, the biggest port employer, announced that more than 500 dockers, mainly employed Hull and Southampton, this week had accepted maximum redundancy terms of £35,000 each under the Government's compensation scheme.

Ports where another 500 redundancies are in the process of being secured include Aberdeen, Liverpool, London, Lowestoft, and the Cornish ports of Fowey and Par. The National Association of Port Employers last night said that a docks strike would be "futile, ineffective, and doomed to failure."

It added that "extensive contingency plans" had been drawn up to stop the strike from having a big impact on trade.

The shipping business has been diverting trade since early April when the TGWU first indicated it would call a strike in protest of the abolition of the National Dock Labour scheme, under which dockers were said to have "jobs for life."

BRITAIN IS sending customs officers to Pakistan to set up a training programme for their Pakistani counterparts to try to stamp out heroin smuggling. About 80 per cent of the heroin seized in Britain comes from, or through, Pakistan and the new initiative reflects the unity of view on the problem from Mrs Margaret Thatcher and Ms Benazir Bhutto, Prime Minister of Pakistan.

Ms Bhutto inspected a guard of honour (above) before spending 75 minutes at Downing Street in talks which were later described as "extremely friendly.". Mrs Thatcher also agreed to commit an unspecified amount of new aid to Pakistan and congratulated Ms Bhutto on Pakistan's return to democracy and her plans to steer the country back into the 48-nation Commonwealth. Both leaders agreed to press for a peaceful settlement of the Afghan civil war and broadly agreed on a wide range of international issues.

They also discussed Pakistan's development of nuclear technology, which has raised fears in the West that it may be building a nuclear bomb. Ms Bhutto told Mrs Thatcher the nuclear programme was peaceful and not weapons-orientated and that Pakistan was ready to engage in any international or regional safeguards.

Coffee price war likely as quotas suspended

By David Blackwell

THE PROSPECT of a full-scale coffee price war loomed larger yesterday after the collapse of the international coffee agreement earlier this week.

Prices fell sharply in both London and New York following an announcement from Brazil, the world's biggest producer, that it was cutting export prices by 5 per cent.

The Brazilian Coffee Institute (IBC) also said it would allow exporters to sell as much coffee as they liked before the end of December, and cut the export tax on green coffee in half.

On the London Futures and Options Exchange (Fox) the September robusta contract touched a new eight-year low of £805 a tonne during afternoon trading before recovering to close at £830, a fall of £36 on the day.

Brazil is the first producer to outline its plans for dealing with the market free-for-all since the International Coffee Organisation failed on Monday to find a formula to extend the agreement beyond the end of September.

While the collapse of the talks had been widely expected, the ICO's decision to suspend its export quota system immediately surprised some people in the trade.

The export quota system has been in use by the ICO since the early 1960s, with gaps from 1973 to 1980, and from February 1986 to September 1987. Its suspension has left the ICO with no means of trying to support prices, and led to an immediate slump on the world's markets. At the start of this year, the London second position futures contract was at more than £1,200 a tonne.

Some analysts believe prices could fall further. "The question now is – how low will they go?" Ms Brenda Sullivan, analyst with GNI, the London futures brokers, said yesterday. "It depends on what action other producers take over the next few weeks – they could flood the market with coffee."

Rumours of selling from producing countries helped to push prices down yesterday, in spite of the fact that some countries had said they would not sell at current market levels, she said.

World coffee stocks are difficult to estimate: under the export quota system producers had every incentive to overstate the real level of their stocks in order to win a bigger allocation. Ms Sullivan said the US Department of Agriculture put world stocks at 36m bags, with world consumption at between 85m and 90m bags.

Other analysts believe prices could now stabilise, especially *if the real level of stocks turns* out to be lower than thought. Consumer stocks are known to be low, as roasters have stayed out of the market in anticipation of the agreement's collapse. At current prices, roasters will be seeking out and paying up for top quality coffee, one said.

In addition, the Brazilian frost season still has a couple of months to run. Any damage to the crop will be reflected immediately in the markets.

Week in the markets, Page 15

THE LEX COLUMN

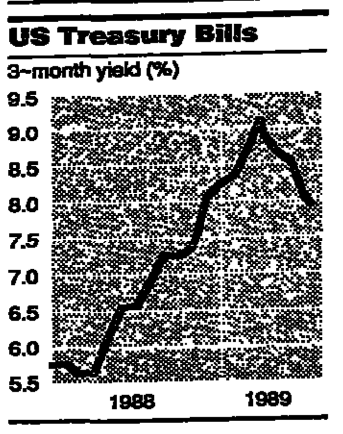
A well-managed week in the markets

It has been rather a good week for officialdom. The world's central banks seem to have succeeded in taming the dollar for the moment, the UK authorities' reluctance to endorse another panic rise in interest rates is proving justified, and the world's biggest economy is behaving surprisingly well. If global interest rates and inflation really have peaked, and recession has been averted, *the world's economic* managers have done an extremely good job and the equity markets are right to be bullish. But it would be dangerous to bet too heavily on this dream scenario.

For the moment, the news from the US is encouraging. Although the growth in the May employment data was revised upwards substantially, it is offset by the surprisingly weak June figures. Taken together with the latest 12 per cent decline in monthly US car sales, they suggest that the 6½ year old US economic recovery is pausing for breath and that the Fed's apparent decision to ease US monetary policy for the second time in five weeks is timely. However, there is still a school of thought which argues that US inflation will accelerate to over 6 per cent early next year, and that the dollar's recent setback is temporary.

If the dollar were to rise sharply again, this would greatly increase the risk of a US recession while forcing up interest rates elsewhere. But for the moment these fears have abated. For the UK authorities this is particularly good news, since it has avoided the need for another defensive rise in base rates. What the UK needs now is some concrete information that the economy really is slowing down rapidly. The worry is that the recent improvement in sentiment will not be borne out by the facts.

FT Index rose 21.9 to 1,816.6



MAI/Havas

Even without invoking 1992, one can readily see the industrial logic of marrying MAI's outdoor advertising side with Avenir, Havas's billboard and free-sheet subsidiary. Nor is there anything to cavil at in the price: by saying MAI's media interests are worth £160m, the merger is valuing them £20m to £30m more generously than most London analysts would have done. But the deal will not re-rate a stock which, even when fired by bid speculation, only just scrapes its head on a price-earnings multiple of 11. The dominant role of money-broking in MAI's affairs and the market's confusion about its curious assemblage of operations will cast their shadow for some time to come.

One quibble is the implausibility of thinking that some legal papers will, in practice, assure MAI of a decisive say in Avenir's destiny. Havas has a board filled with members of the French financial establishment, from UAP and Crédit Agricole to Banque Paribas. MAI only underlines its subordination to Havas by covering itself with a put option over 154,000 of Avenir's 3.4m shares.

The more serious question mark hangs over MAI's thinking about what do with the rest of itself. When its shares are generally rated at 10 times or below, it can hardly envisage much in the way of paper-based acquisitions of information and market research businesses. MAI was pointing out yesterday that the extra balance sheet strength unlocked from the Havas deal will lift its borrowing capability. The danger is that a string of fresh acquisitions might only add to the market's puzzlement about what really makes MAI tick.

Gateway

In spite of the apparent ease with which Newgateway picked up £420m of Gateway stock yesterday, it is still a close-run thing. Some of the big Gateway shareholders seem to object to selling in the market as a matter of principle and will wait until the Isosceles close next Friday before committing themselves. The chief difference now between the two contenders is that if Isosceles loses it can sell at a handsome profit, whereas if Newgateway loses it must sell at an even more handsome loss.

The Newgateway camp, in fact, contends that it could hold out as a minority, relying on *the fact that whereas* Isosceles would incur bankers' fees on going unconditional, it could not get cash out of Gateway to finance its debt. But this looks unrealistic: the one thing Isosceles could do with a simple majority is go ahead with the sale of the superstores to Asda, in which case A&P's retailing strategy would be blown out of the water.

It might be thought that with Gateway's shares standing at 240p – just 2p short of the Newgateway offer – the market has made up its mind that Newgateway will win. But that does not quite follow either, since Newgateway has made it known that it will be back in the market next week with another £450m to spend. For small shareholders, the sensible thing is to take the money now; for while the key institutions ponder, there is no guarantee that Isosceles will not win after all.

Property bids

With 130-odd property companies listed on the Stock Exchange, interest rates rising, and the property market dropping away from the top of its business cycle, it has been a fair wager for a while that some of the weaker brethren would succumb to bids. That does not mean that this week's shadowy approaches to Arlington Securities and Imry Merchant presage a flood of takeovers, but it does make for an intriguing situation.

To argue that bids are viable at the moment, one need only look at the 28.5 per cent discount to net asset value on which property shares were trading yesterday. That is only a few percentage points cheaper than the 24.3 per cent 10-year average calculated by UBS-Phillips & Drew; yet it will still give acquirers sufficient room to gain control without over-paying. In the smaller development-oriented companies especially, there is said to be no shortage of directors with large personal shareholdings and a growing disaffection with the stock market.

The trouble with seeing Arlington as a straw in the wind is its specialised nature: its distinguishing features are its prominence in the business park movement and its 1,400-acre land bank. What will interest the market much more is the identity of the suitor for Imry, particularly if it comes as a sign of renewed foreign interest in the central London office market.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Harpener	452	+	12
Karstadt	560	+	18.8
Siemens	585.5	+	4.5
Thyssen	236.3	+	5.8
Falls			
Altana	430	−	10
Porsche	762	−	8
NEW YORK ($)			
Rises			
Coca Cola	56	+	1⅛
Gen. Electric	53⅛	+	1
Honeywell	77⅞	+	4¾
UAL	165¾	+	13¾
Falls			
Ford	48	−	¼
Gen. Motors	40½	−	⅜
PARIS (FFrs)			
Rises			
Exor	1360	+	62.8
Locafrance	489.9	+	20.7
Strafor	54	+	9.4
Falls			
Metaleu	4.1	−	.3
Pechin	353	−	15.3
Synthelabo	447	−	17.3
TOKYO (Yen)			
Rises			
Ricoh Elemex	2510	+	210
Toyota Auto	1220	+	100
Union Optical	1500	+	170
Falls			
Ihara Chemical	960	−	50
Kydei Sangyo	1500	−	100
Sanwa Soko	1160	−	100

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
Alva Inv. Tst.	315	+	30
Ass. Brit Ports	595	+	16
BAT Inds.	675	+	18
BPB Inds.	249	+	8
Britannia Secs.	193	+	20
Burton Grp.	238	+	11
Carlton Comms.	825	+	14
Evans of Leeds	235	+	10
Glaxo	1384	+	32
Greycoat	503	+	17
Imp. Chem.	1251	+	29
Natwest	299	+	10
Northern Foods	332	+	8
RHM	489	+	8
Racal Elec.	458	+	24
Racal Telecom	413	+	22
Securicor "A"	706	+	38
Tottenham Hot.	115	+	7
United Biscuits	394	+	13
Falls			
L.I.T. Hldgs	124	−	11
Quotient	80	−	17
Rugby Grp.	196	−	5
Steetley	435	−	5
Ward White	439	−	9

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	35	95	Dallas		–	–	Madeira	C	22	72	Prague	S	29	84
Algiers	S	32	90	Dublin	F	21	70	Madrid	S	29	84	Reykjavik	C	10	50
Amsterdam	F	27	81	Dubrovnik	S	29	84	Majorca	S	31	88	Rhodes	S	30	86
Athens	F	33	91	Edinburgh	C	15	59	Malaga	S	30	86	Rio de Janeiro		–	–
Bahrain	S	36	97	Faro	S	24	75	Malta	S	30	86	Rome	S	26	79
Barcelona	S	26	79	Florence	F	29	84	Manchester	Dr	19	66	Salzburg	F	26	79
Belfast	S	23	73	Frankfurt	F	28	82	Melbourne	S	13	55	S'Francisco †	S	12	54
Belgrade	S	29	84	Geneva	C	23	73	Mexico City		–	–	Santiago		–	–
Berlin	S	31	88	Gibraltar	S	28	82	Miami †	S	27	81	Seoul	F	30	86
Biarritz	S	23	73	Glasgow	S	23	73	Milan	F	27	81	Singapore	F	30	86
Birmingham	R	17	63	Guernsey	C	16	61	Montreal †	C	21	70	Stockholm	S	29	84
Blackpool	R	20	68	Helsinki	S	27	81	Moscow	C	16	61	Strasbourg	S	30	86
Bombay	F	29	84	Hong Kong	S	33	91	Munich	F	25	77	Sydney	S	13	55
Bordeaux	F	25	77	Innsbruck	R	18	64	Nairobi		–	–	Tangier	F	24	75
Boulogne	F	20	68	Inverness	C	16	61	Naples	S	34	93	Tel Aviv	S	30	86
Bristol	Dr	18	64	Isle of Man	C	21	70	Nassau		–	–	Tenerife	S	25	77
Brussels	F	25	77	Istanbul	F	27	81	Newcastle	R	16	61	Tokyo	S	25	77
Buenos Aires		–	–	Jersey	C	19	66	New Delhi	S	36	97	Toronto †	F	23	73
Budapest	F	30	86	Johannesburg	F	14	57	New York †	S	24	75	Tunis	C	34	93
Cairo	S	33	91	Las Palmas	S	25	77	Nice		–	–	Valencia	S	31	88
Cape Town		–	–	Leeds	C	17	63	Nicosia	S	27	81	Venice	F	26	79
Cardiff	R	18	64	Lisbon	F	25	77	Oporto	S	21	70	Vienna	S	29	84
Chicago †	F	24	75	Locarno	F	27	81	Oslo	S	20	68	Warsaw	S	29	84
Cologne	F	28	82	London	R	20	68	Paris	F	24	75	Washington †	S	24	75
Copenhagen	S	28	82	Los Angeles †	S	19	66	Peking	C	25	77	Wellington	S	13	55
Corfu	S	32	90	Luxembourg	F	24	75	Perth	R	13	55	Zurich	S	25	77

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Merger to form top advertising group

By Ray Bashford

EUROPE'S biggest outdoor advertising company is being created as part of an Anglo-French merger plan announced yesterday.

The deal involves a merger of the media interests of MAI, the UK financial services and advertising group, and Havas, the French advertising and media company into Avenir, France's largest outdoor advertising operation.

The enlarged Avenir group, which will also be France's largest publisher of free newspapers, will have annual turnover of about £600m and estimated pre-tax profits of £40m.

Mr Clive Hollick, MAI's managing director, said the combined group would have the financial resources and a six-nation European base to expand outdoor advertising, press and magazine businesses.

He expected advantages from creation of the single European market in 1992, but said it would be some time before there was a pan-European advertising market. Avenir will have bits of six European *outdoor advertising markets.*

Foundations for the deal were laid a year ago, when Avenir and MAI established Europoster, a joint venture, to operate their outdoor advertising interests outside the UK and France. Avenir, which is 59 per cent owned by Havas, and MAI's Mills & Allen poster subsidiary also took 21 per cent stakes in each other.

Avenir has a listing on the Paris bourse and it plans to seek a London listing later this year with the timing of other quotations pegged to development in other countries.

To finance development of Avenir, it will raise the equivalent of £45m through a rights issue in Paris. Following that, Avenir will be 51 per cent owned by Havas, 36 per cent by MAI and 13 per cent by others.

The French will have a majority on the board and run *the day to day operations* of the company leaving strategic planning to Mr Hollick.

Merger terms value MAI's media division at £160m. In the year to June 30 1988, it made trading profits of £9.3m (after accounting for minority interests). The figure is expected to rise to some £13m next time.

Mr Hollick said that the company *also hoped to expand the* free sheet newspaper business.

Picture, Page 8; World stock markets, Pages 12 and 13; London Stock Exchange, Page 15

New country town Continued from Page 1

Mr Ridley said he would listen to further representations *before making a final decision* on all of the developments.

The Foxley Wood move was warmly welcomed by Consortium Developments, which was formed in 1983 but which so far has been unable to start a single development.

Mr Andrew Bennett, executive director of Consortium Developments, said: "I think our position would have been very difficult if we had not been able to get one scheme approved by the end of this year." The consortium members are Barratt Developments, Beazer Homes, Bovis Homes, Ideal Homes, Laing Homes, *Y.J. Lovell, McCarthy & Stone*, Tarmac, Wilcon Homes and Wimpey Homes.

Foxley Wood is one of three country towns the group has proposed. The others are at Stone Bassett, along the M40 in Oxfordshire, where the consortium wants to build 6,000 homes, and Westmere, alongside the A10 north of Cambridge, where it wants to build 1,500 homes.

An earlier proposal by the consortium to build a town to house 15,000 people on green belt land at Tillingham Hall, near Grays, Essex, was rejected by Mr Ridley

Mr Bennett said the decision by ministers to support Foxley Wood recognised the desperate need for more housing

Mr Michael Howard, junior Environment Minister, said: "The settlement could make an important contribution to meeting housing needs in north-east Hampshire and would be preferable to the further large-scale expansion into open countryside of existing towns and villages, where there are already problems of congestion and overloading of local services."

Weekend FT

SECTION II — Weekend July 8/July 9, 1989

Back to a black future

*South African-born **Joe Rogaly** returns to the country he left 30 years ago and finds that many things are not quite as he remembers them*

JOHANNESBURG. - I strode into the bar of the Federal Hotel in Polly Street where, once young, for three or four years I put down a gallon or so a day of Castle lager followed by rum-and-Cokes as the evening wore on. I have rarely been so shocked or surprised. Listen, and you'll see why.

The Federal is a small, low, fly-blown building; it would do nicely as a set in a Western. But it is the repository of memories. Late in the 1950s, we young reporters of the *Rand Daily Mail* would shuttle to and from its squat door-front, a block away. Its bar did not admit women or blacks. There were usually three or four older white men, partly shaven, red from beer, shouting and swearing in their shirt-sleeves. We took our cue from them.

I went back a few weeks ago. The shock was immediate. Behind the bar was no redneck Joburg barman but Miss Dhlamini, pretty in a red beret, from Swaziland. "*What will you have?*" said her stunningly white African teeth. One customer, a white-haired black man called Harry, waved me cheerily to an adjoining stool.

It was a quarter of a century since I had visited the Federal, almost exactly the time Mr Nelson Mandela has been in jail. Then, Mr Mandela was a charming solicitor, a partner in the firm of Mandela & Tambo; now, he is a world hero. Will Rip van Mandela be flabbergasted by Joburg when (if) he is finally released?

At least Harry was drinking the right thing. "Two Castles," said I, catching the hope in his eye. He rewarded me with a long speech about his love for all religions and people. Another customer, a Zulu, was doubtless referring to Mandela when he shook his head and said: "South Africa can never be ruled by a Xhosa." Harry told about his move from Soweto to a room nearby. He could not have lived in town when I was there. To my deep embarrassment, he kissed my hand as I left. Miss Dhlamini, confident and young, saw me as a mere customer.

Down Main Street, past the office block that housed the *Rand Daily Mail* when it existed, is Nugget Street. You still pass a row of car showrooms on the way. Unlike the elderly Harry, the many young Africans walking casually by did not show any sign of servility to my white face. When Mr Mandela went to his first prison on Robben Island, blacks were nearly all gardeners, or "flat boys" as we called the grown-up men, in blue bermuda shorts, who scrubbed your apartment floor. Now, on the Joburg pavements, they are proud-suited citizens, showing by their bearing and the look in their eyes that it is their country and they know it.

In old Joburg, the Nugget Hotel, a floor taller than the Federal, was where you went for steak and eggs with your beer. It had class. Now, it has a "ladies bar" and, downstairs, a notice about the right of entry being reserved. Inside sat a row of white men in shirt-sleeves, swearing and shouting. Poor-whites, they told the tales of their kind everywhere, bemoaning the rising black tide. The black doorman said he sent black customers upstairs and left that bar for the whites. "They say we are too loud," he said, smiling.

Up the road is Hillbrow, in my time fashionable and white. Now, one of the most multi-racial crowds I have ever seen filled the pavements. A well-dressed black man pushed a white drunk along, holding him in a half-nelson; the latter was taken away by placatory fellow-drunks. "The black guys know white girls with consciences won't say no," said my friend, who is in the world of the arts. "They take advantage of it. They expect too much." One apartheid law, which prevented marriages or even liaisons across the colour line, has certainly been abolished.

Back in central Johannesburg on Saturday morning, it felt like Harlem outside, Manhattan cocktail within. There was one big difference. On the streets, where to be white was to be conspicuous, there was no sense of threat. These Africans were fat, well-dressed, shopping for the best. They were not a cause of fear. Perhaps some were cousins of the hotel waiters, chefs, concierges and check-out clerks who worked the smart hotels. Shock again: when I was last in South Africa, the only blacks found in hotels were carrying your bags. You never carried anything yourself. Now, blacks are joyous guests, or brief visitors savouring the good life in the restaurants. (I'm talking smart city-centre hotels, not those in Afrikaner dorps on the platteland).

It was hard for a South African-born returning visitor to believe. Every sight was amazing. I saw white taxi-drivers taking black passengers, heard of black medical students training with white patients. Bewildered, I turned to the statistics. They, too, are staggering. Early in the 1960s, Dr H. F. Verwoerd, apartheid's principal theoretician, prophesied that by 1978 there would be 13m blacks in the homelands and very few, if any, in the 87 per cent of the country designated white. He was right about the homelands – but a further 13m blacks have appeared, all in the supposedly white areas. There are barely 5m whites in the Republic. Population projections simply bury the whites. (But they still have nearly all the land.)

It is not a simple matter of counting heads. In 1963, there were around 531 black matriculants; in 1987, there were 77,454. Black education is of low quality, *but at least black matriculants now outnumber whites*. In 1958, there were 42,000 white university students but fewer than 2,000 blacks. (No, I haven't left off a nought.) Now, there are 150,000 whites in higher education and more than 70,000 blacks. Even the Afrikaans universities – Stellenbosch, Pretoria, Potchefstroom – have black students although, admittedly, in very small numbers.

Perhaps people who say that the growth of a black middle-class is the way forward for South Africa are right: surely all this new-found wealth is creating solid citizens, a stable community, and black conservatism?

Not yet, it isn't. Some important apartheid laws have gone: job reservation, the pass laws, laws that assumed urban blacks to be migrant workers destined to return to the homelands. But the key ones remain, governing land, the areas reserved for various racial groups, separate amenities, and the foundation law – the one that registers you according to your racial origin. So, for example, most of Durban beach is desegregated, except for south beach which has two notices. One says you must be white, the other warns against sharks.

Again, black trade unions were not legal in my time; now, they are a serious force in the political as well as the economic life of the country. I met delegates of Numsa – a powerful, mainly black, union – in a Hillbrow hotel. They could have been at any British union conference anywhere in the UK except for the fact that some of their political colleagues, in one or another of 30 or so organisations, have been put in jail or "banned," which means being confined to your house after dark and debarred from speaking out. Bannings vary in their degree of restriction: when I tried to telephone Zwelakhe Sisulu, the editor of *New Nation*, a black newspaper, he could not respond because the state of emergency had that very hour been re-imposed and he had to study the effect on his own freedom to move or speak. (It turned out to be devastating.)

The solid-citizen suburbs around Joburg are still pure white, many as rich as California. Most houses are surrounded by high walls, lights, and signs saying that they are protected by a 24-hour armed security service. When one host brought me home to a good Durban suburb, he put his keys, wallet and pistol on the hall table. "You can't go without one," he said. In my view, he was mistaken; but he lives there, I don't.

Soweto is mixed; it has some good houses now. But out in the sticks enormous, dirt-poor shanty towns have sprung up. One such is near Bloemfontein; another is just 25 miles north of Pretoria. The latter, Winterveld, is a 1m-strong, mainly Zulu enclave banished to the Tswana homeland of Bophuthatswana. It is not advertised widely.

The fear, and the violence, have increased since I left. The new security police headquarters in Johannesburg (named after John Vorster, a former Prime Minister) is enormous, squat and forbidding; the old was a modest block in which, even in my time, there were "accidents." In September 1964, Mr Suliman Saloojee jumped out of a seventh-floor window during interrogation. The pile of cases of torture in detention has not stopped growing since then, but reporting is restricted or forbidden.

In November 1964, there were 364 banning orders and 33 people under house arrest. Many tens of thousands have since achieved that distinction. But then, in the 1950s the black opposition was studiously non-violent, after Gandhi and Luthuli; now, we have had the "necklace," township uprisings, and the militarily ineffective "armed struggle."

There is still a curious mix between totalitarian repression and democratic freedom of expression. At the mixed-race Market theatre on a recent Saturday night, four actors, two black and two white, performed an avant-garde play, *Big Boys*, written by an Afrikaner, Charles J. Fourie. Your sympathy had to be for the young black "comrade" whose head was covered with a sack while he stood on a table and his torturer beat his feet. The scene where electrodes were tied to his genitals was too much to take, sitting in a theatre a few blocks from John Vorster Square.

Or try this: South African blacks have made June 16 a *de facto* public holiday, in memory of the deaths in the Soweto shootings on that day in 1976. This year, as ever, there was a prayer meeting in the Catholic church in Soweto. It was packed with young men, comrades no doubt, chanting, singing, jumping and cheering as speakers turned the occasion into an African National Congress rally. Outside was the familiar armoured vehicle with tear-gas nozzle, poised like an inflated preying mantis, and the now usual row of plain-clothes police with pistols at their hips. They gave the rally a few hours, then went inside and charged. The young men dispersed quickly.

Another day I was drinking again, this time in a shebeen in a black township near Durban. Don't ask how I got there. It was a classy shebeen, even though it was really the front room in its owner's township box-house. A hi-fi warbled. The customers wore T-shirts and slacks. They squeezed, knee to knee, around a small low table which was covered with bottles of Lion and Castle lager (my advice to you: buy S. A. Breweries) plus gin and Scotch to lace the strong beer. Back in the old days, none of this liquor was available legally to blacks; now, the only law a shebeen-owner breaks is the licensing regulations. He doesn't bother with tax but, as he says, with no representation, why should he endure taxation?

Frank, mine host, introduced the other guests. They were black middle-class to a man: a local personnel manager for a large UK company, a clerk to a local government official, a school principal, a teacher, a something in marketing, and the owner of a fleet of taxis. All 30-something; the lads out for a Sunday afternoon's serious drinking. At first, the conversation was in loud and interminable Zulu, with words like "selling point" and "company car" flying out from time to time. Frank pleaded for English, for my benefit.

No, said one, they were not against sanctions. Yes, they did want disinvestment. I reacted whitely. "But none of you would be here if there was no economic growth," I protested. "You wouldn't exist. There would be no good middle management jobs for blacks, no company cars." We do not exist now, they replied. We have no vote. We cannot live where we want; we must live in this township. We cannot take holidays where we want. We cannot choose which school our children attend. We are unfree. That is the most important thing. The rest is rubbish.

I thought about their view. When I was last in South Africa, two rand bought a pound; now, it is four and growing. It feels like Mickey Mouse money to many white South Africans. Everything seemed very cheap to me. The whites hate sanctions, hate what used to be called, late in the 1950s, "polecat status." They long to be a respected member of the Western group of nations. Election campaigns are begun by a tour of Western capitals; this time by Mr F. W. de Klerk, the ruling National Party's leader, as well as his main opponents. So I have to believe that whatever else is said about the clamour of the outside world, the sanctions and the disinvestment, the whole process is felt and there is a desire to have it stopped.

My shebeen companions claimed to be ANC and told dreadful tales of how various "warlords" (who they described as agents of Inkatha, the organisation founded by the Zulu leader, Chief Buthelezi) murdered this husband over there, that son over here. The warlords were supported by the police, said my new black solid-citizen friends. Yes, their side had defended itself but theirs had been revenge killings.

It is impossible for an outsider to get to the bottom of this war between Inkatha and the "mass democratic movement," which consists of the trade union organi-

CONTINUED ON PAGE II

The Long View

Where have all the growth stocks gone?

BARRY RILEY

Looking for Vestal Virgins? They're in good supply in Japan and still, apparently, floating arrogantly above us

THEY WERE the stars of the stock market. They had quality and they had staying power. They were the growth stocks. But where are they now?

It is now 25 years since the Nifty Fifty dominated Wall Street. They were a loosely defined group of reliable growth stocks headed by the likes of IBM, Xerox and Polaroid. Usually they would sell on price-earnings ratios in the 20s, about twice as high as the average. Dividend yields were nominal.

Several arguments could be used to justify such valuations. Growth was rock solid and, because it could be assumed to continue so far into the future, a much higher than normal earnings multiplier should be used. This is the sort of argument being used today, you will appreciate, about Japanese stocks. Another more cynical justification was that no fund manager ever got the sack for holding IBM.

In the UK the market never became stratified in quite the same way, but growth stocks like Beecham, Rank (our version of Xerox) and Lesney attained highly fancy ratings. (New readers who do not remember Lesney need only know that it went very nastily ex-growth in the early 1970s).

When the leading growth stars waned on Wall Street in the 1970s attention switched to the smaller company sector. Forget IBM, the account executive would say, what you want is tomorrow's IBM. That was the era of the small hot stocks, and it scarcely mattered what you paid for them, because if you bought fifty of them the top five would grow so big and make so much money for you that conventional analysis was irrelevant. For a while, weight of money made the sales talk come true. Unfortunately, what then happened in nearly all cases was that stock prices became unrealistic, and the small-company sector in the US topped out in the early 1980s. It is still struggling.

Taxation has had an influence on the rating of growth stocks. After the war, personal income tax rates were generally high, especially in Britain, and it became logical for companies to concentrate on reinvesting in capital growth rather than raising dividends. But growing pension fund participation in markets has shifted the emphasis back towards dividends, and lower personal tax rates have reinforced the effect.

A more fundamental reason, however, why growth stocks no longer carry the same kind of status as a generation ago, is that the world economy is less regularly cyclical than it was in the postwar era, perhaps because it is no longer dominated by the four-year American electoral calendar. The great appeal of growth stocks was that they could brush aside recessions, whereas steel or motor stocks alternated between rags and riches.

But there has been no significant global slowdown since the beginning of the 1980s. If the average British company has been able to produce earnings per share increases in the 15 to 20 per cent range, the genuine growth stars disappear into the crowd. Even British Steel is trying to masquerade as a growth company.

Another reason is that technology seems to be moving faster than in the cosy postwar era when demand exceeded supply, and manufacturers could set their own development timetables. Many of the Nifty Fifty relied upon secure, patented technology which could be exploited over a long period of years. Eventually they were challenged by the faster-moving hot stocks. But even they have often proved disappointing to investors, largely, I suppose, because the Japanese have appeared on the scene and applied new standards of competition and investment firepower. Today's inventions have a short shelf-life. One moment Rodime is an over-the-counter growth star of Silicon Glen, the next it is struggling for survival.

It also needs to be said that much of the old-style growth was illusory. The growth concept was hijacked by accountants and dealmakers. If you lacked a real growth business, not to worry, you could always go out and construct one. The result was a breed of what might be called bottom line entrepreneurs, who knew what their next earnings per share figure must be, and had to figure out a deal or an accounting device which could deliver it.

But the accountants have gradually cracked down on these ruses, though they still have a long way to go. The stock market, meanwhile, has learned that although jerry-built empires may look good on the outside, they do tumble.

It is no coincidence that a series of British entrepreneurial stars have recently run into trouble. Groups such as Saatchi & Saatchi, Storehouse and Next emerged from the last recession, and six or eight years is as long as the takeover momentum can easily be sustained.

Hanson is arguably the exception that proves the rule – but Lord Hanson has only been able to keep going by quietly shifting the emphasis: it used to be on raising the return on capital of acquired companies, but nowadays it is on old-fashioned asset stripping. The quality of Hanson's earnings growth is only as good as his next deal. It is not quite like having a stranglehold on the global market for plain paper copiers.

So where have the growth stocks gone? The answer seems to be that they are found in Japan. There you can still find the same emphasis on earnings growth, backed both by genuine physical expansion and by murky accounting. The oriental Vestal Virgins are there in great numbers, their ratings even higher than than those of the old Nifty Fifty, and apparently unassailable as they float arrogantly above their Western counterparts.

But the parallels with the 1960s are not precise. Can a Western fund manager ever get fired for holding Sony? Unfortunately, yes, he can.

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Abbey National: your options

FT writers examine the Abbey National flotation and what it means to the small investor: should you *sell or hold*, and what should you do with your profits. **Page III**

Retail groups take stock

Next week's results are headed by the retail and entertainments sectors, with figures from Asda Group, John Menzies, Dixons Group, Marks and Spencer and others. **William Cochrane reports. Page IV**

The tale of Jonathan Scrounger

Sara Webb on how would-be student Jonathan Scrounger and the other little Scroungers made a mint — and a monkey — out of various banks and building societies and their drive for the "youth" market. **Page VI**

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Eric Short reports on the latest moves in the pensions field, including "ethical" pensions and a new do-it-yourself vehicle for executives. **Page VI**

Minding your own business

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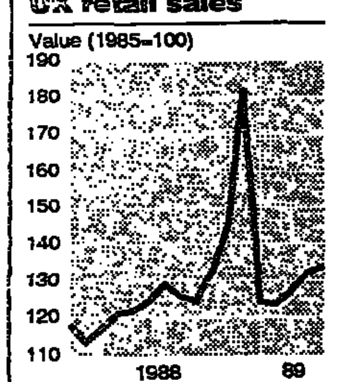
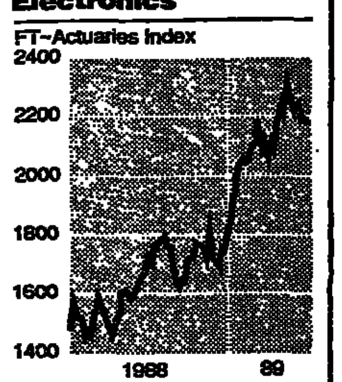
UK retail sales



Electronics



May retail sales figures jump by 3 per cent

Retail sales in Britain during May jumped by 3 per cent, the largest monthly increase for two years, with consumers apparently shrugging off the high interest rates. The value of sales was £9.025 bn, or 9.4 per cent higher than in May last year. The Treasury said that retail sales figures were *often erratic and that the May sales may have been* distorted by the unseasonally mild weather. It noted that other indicators, such as consumer goods imports and the housing market, continued to point to a slowdown in the consumer sector. However, outstanding consumer credit also rose by a record £500m in May, fuelling fears that spending had resumed an upward trend in spite of the steep rise in interest rates. *John Edwards*

Electronics sector buzzes

The electronics sector was the scene of some frantic activity this week with GEC, Plessey, Ferranti and the Racal duo all taking turns to hog the limelight. The Plessey takeover saga took yet more twists and turns with the revelation that GEC/Siemens were in talks over the possibility of buying Plessey's 50 per cent share of GPT, the joint telecoms venture with GEC, which could have preserved Plessey's existence. But Plessey abruptly withdrew from the discussions, claiming that GEC/Siemens had made last-minute changes to their proposals, and that GEC had used the talks to disrupt the Plessey share price. The market now awaits the next moves, which hinge on the Ministry of Defence not imposing conditions too onerous for GEC/Siemens to renew its bid for Plessey. Ferranti shares bobbed up and down on previous hopes that Plessey might launch an offer for the defence group; hit hard recently by a warning of sharply reduced profits, Ferranti reports preliminary figures next Friday. *Stephen Thompson*

Home search delays still lengthy

Local authority searches are still contributing to delays in *home purchases in many areas, according to a survey by* the Woolwich Building Society. The survey found that local authorities at Oxford and Southampton were the most efficient in processing searches, often within a week, while at the other end of the scale the London Borough of Lambeth was still the worst: it still takes 15 weeks, although this was five weeks faster than last year. Out of 36 local authorities surveyed only 13 completed searches within the *10-day period recommended by the Law Commission.* *J.E*

June unit trust figures

European and gold unit trusts were the best performing funds in June, according to figures issued this week by Micropal. Best performer was M & G Gold and General, with a gain of 15.65 per cent in the offer to offer price. However, the same fund was the second worst performing fund over a one year period and 18th worst over five years. In the investment trust sector the top fund in June was TR Technology, which gained 21.43 per cent, boosted by take-over hopes after American Grace Resources revealed that it had built up a 5.5 per cent stake. **Unit trusts bouncing back: Page IV** *J.E*

Bank grant for CAB

The Citizen Advice Bureaux is to receive £250,000 from National Westminster Bank to finance a greatly expanded money advice training programme. The donation, paid over a three-year period, will help train up to 5,000 more bureau workers to give financial advice and provide a better service for assisting people in debt. The Bureaux received nearly 1.4m inquiries on consumer and debt related issues in 1988/89. *J.E*

Leaders and Laggards: Correction

The Leaders and Laggards article in last week's edition of the Weekend FT said that Hammerson shareholders rejected the bid from Rodamco, the Dutch property group. In fact, the 970p per share offer was only conditional and lapsed when the conditions were not met.

LONDON

Predators queue up for stores' summer sales

JULY IS traditionally the month in which High Street stores launch their summer sales. This year it seems as if it is the stores themselves that are attracting the buyers.

The retail sector has been down in the dumps ever since it became clear that the great "design boom" of the early and mid-1980s was not going to be the engine of everlasting profits growth. Chancellor Nigel Lawson's successive rounds of *interest rate rises has only* added to the discomfiture. But as the casualty list of tarnished reputations has increased, so has the list of buying opportunities for predators.

The battle for Gateway, the former Dee Corporation, is close to reaching its conclusion. Yesterday, Newgateway, the consortium put together by merger and acquisition specialists Wasserstein Perella, acquired sufficient shares in the market to take its stake to over 50 per cent, a level which is likely to make victory for the rival Isosceles consortium difficult. The odds seem to have shifted in favour of a Newgateway victory.

This week another retail group became a bid target — Ward White. The company, best known for its Halfords bicycles and auto parts chain, had been one of the most acquisitive stores companies of the mid-1980s under its chairman Philip Birch. But Birch has confused the market by selling some of the companies acquired in its earlier spree, while keeping on the acquisition trail via the purchase of groups such as A G Stanley, a home decoration chain.

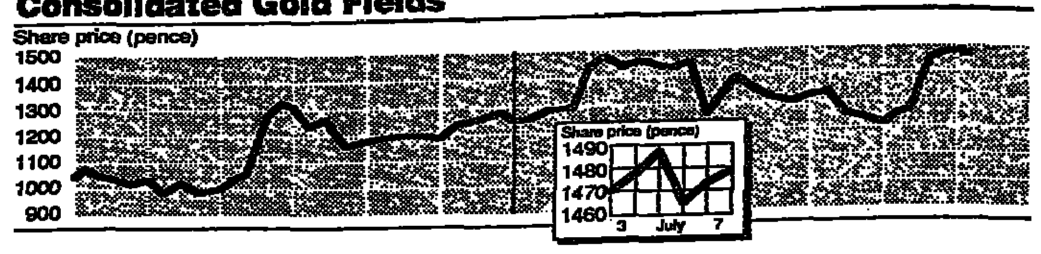
These tactics might have been forgiven if they had produced remarkable results, but earnings per share rose only 3.6 per cent last year and analysts are forecasting a minimal improvement in this period.

Ward White's share price had drifted down from the peak of 432p, reached before the October 1987 Crash, to less than £2 and bid speculation inevitably began. A bidder duly emerged — in the slightly surprising form of Boots.

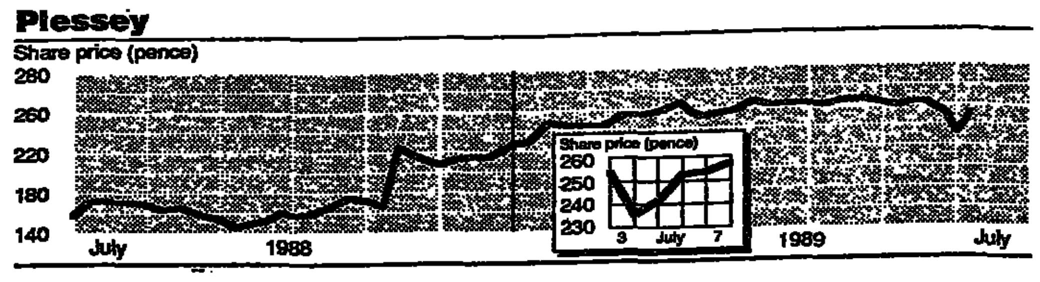
The chemists group has not traditionally been seen as the predatory type. But the purchase of Flint Laboratories, a US pharmaceutical company, in 1986 marked a sea change in the group's affairs. Boots was criticised for paying too much but, along with the launch of the Children's World chain, the Flint purchase heralded a more daring management style.

The bid for Ward White has also come in for criticism — the company is claiming little in the way of synergy between its health care and cosmetics business and Ward White's main activities in auto parts and DIY (through Payless). Few think that Boots can win without paying a hefty chunk more than its current 400p per share cash offer, and at substantially higher levels the bid could start to be dilutive.

Consolidated Gold Fields



Plessey



One long-running saga seemed to have reached its end this week. The board of Consolidated Gold Fields, having kicked, screamed and struggled against a bid from the South African controlled Minorco group, accepted a £15.30 per share offer from Hanson, the transatlantic conglomerate.

Rudolph Agnew, Gold Fields' chairman, squeezed an extra £1 per share out of Lord Hanson in return for his recommendation, but that pound consists of a special dividend from Gold Fields and a warrant to subscribe for Hanson shares.

The deal received a lukewarm reception from some Gold Fields investors — after all, the company had fought tenaciously against an offer pitched at a similar level from Minorco. But the bid has not done Hanson's reputation for shrewdness any harm, even though some are still waiting *for the group to make an even* bigger predatory move.

Gold Fields may have lost its independence at last, but the GEC/Plessey story, like Old Man River, just keeps on rolling along. Lord Weinstock's group first bid for Plessey in *1985 and, although that bid* was blocked by the Monopolies Commission, a second offer was launched by GEC/Siemens last year.

After a second referral to the MMC, the offer to bid was cleared subject to certain conditions. The market is still waiting to see whether GEC and Siemens will bid again, but Lord Weinstock is keeping them on tenterhooks.

Discussions with the Ministry of Defence, which wants security and competition undertakings before allowing the bid to proceed, are believed to be making slow progress. So far this week it emerged that GEC and Plessey had become involved in talks this week encouraged the belief that a bid might be avoided.

The GEC/Plessey conversations centred on the potential purchase by GEC of Plessey's 50 per cent stake in GPT, the jointly-owned telecommunications equipment company. Plessey's shares fell 17p on Monday in response, only to regain ground on Wednesday when the discussions ended in acrimony. Some expect the renewed GEC/Siemens bid to emerge as early as next week.

Bid speculation could be needed to keep the FT-SE 100 index in its current 2100-2200 range. The summer of discontent rumbles on, with engineer*ing unions naming* 12 British companies that could suffer indefinite strike action and a dock strike seemingly on the way. Rail and London Underground strikes again disrupted commuters' Wednesdays.

All this must start to hit corporate profits soon. Even if employers buy off workers with larger pay increases, the result is likely to be a squeeze on margins. Certainly, the steady trickle of corporate profits warnings and downturns continued this week.

Casualties included Quotient, the software house, *Domino Printing Sciences, Lister*, the textiles group and Hogg Robinson. Each disappointment inevitably creates suspicion that other companies in the industry or sector may be similarly troubled.

For the moment, many traders remain optimistic. Perhaps it will take one of the markets favourite "old reliable" stocks to falter before confidence is undermined.

On the economic front it was a quiet week, with the only major UK statistic being the foreign exchange reserves, which showed the costs involved in supporting the pound — $2.24bn in June. Sterling had a rather easier time as attention shifted to the dollar, which lost some of its gains on expectations that US interest rates would decline.

Philip Coggan

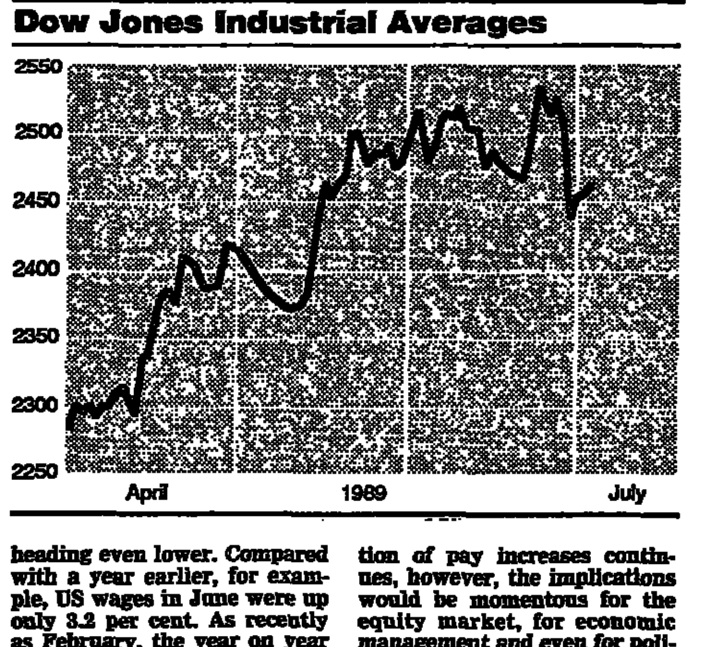
HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2189.1	+38.1	2209.4	1782.8	Dearer money fears recede.
Arlington Secs.	281	+75	281	152	Bid approach from unnamed source.
Bennett & Fountain	110	+24	127	84	Speculative buying.
Body Shop Intl.	802	+87	802	480	County rec./share split in Sept.
Charter Cons.	582xd	+38½	582	450	Speculation of bid from Minorco.
Euro. Home Products	203	+30	294	167	Licensing agreement with Playboy.
Helme	274xd	+22½	281	186	Recent good profits/scrip issue.
Illingworth Morris	166	+25	185	137	Bid approach.
Imry Merchant	582	+78	593	405	Bid approach from unnamed source.
Newarthill	2400	+375	2400	1856	Tender offer for 25.2% at £24 a share.
RHM	489	+37	496	341	Hopes of bid from Sunningdale.
Sun Life	1103	+80	1108	853	UAP increases stake to 22.2%.
Thames TV	495	+31	507	360	In bid talks with Carlton Comms.
Tilbury	563	+41	563	342	Stake-building rumours.
Ward White	439	+114	452	198	£800m contested bid from Boots.

WALL STREET

It's all in the small print

Dow Jones Industrial Averages



IN TERMS of market reactions, the eagerly-awaited June employment figures, which had been expected to set *the trends for all the US financial markets* during the second half of 1989, turned out to be a total non-event. The slight decline in June's employment growth, accompanied by a big upward revision in the previous month's figure, provoked a *giant collective yawn from* traders in the equity, bond and currency markets alike.

Yet peering beneath the headline totals on new job creation, which have been rendered virtually meaningless anyway by month after month *of huge revisions, the June* employment figures were the best news that any investor in US stocks and bonds could possibly have hoped for. They suggested that the bull run in equities that began last summer is still by no means over, *and that even the feverishly* over-bought bond market might be able to look forward to further gains in the months ahead.

The critically important feature of the employment report was in the small print about wages. *Wall Street analysts* frequently ignore these figures until hours, even days, after the statistics are released. But when this month's information sinks in, it could turn out to be just the tonic required to soothe the nerves of equity investors after the treacherous setbacks of the past few weeks. Indeed, after its slow start, Wall Street appeared to be regaining confidence and vigour by lunchtime yesterday, as the bullish implications of the employment figures began to sink in.

The bullish message is quite simple. According to the Labor Department, average hourly earnings for all US workers increased by only 0.1 per cent for the second month running. In the first four months of the year, by contrast, the monthly rate of wage inflation averaged 0.4 per cent.

As a result of these latest wage figures, the annualised rate of pay inflation in the second quarter declined to 3.2 per cent from 3.6 per cent in the first quarter. And the trend of wage inflation appeared to be heading even lower. Compared with a year earlier, for example, US wages in June were up only 3.2 per cent. As recently as February, the year on year rate of pay inflation reached a peak of 4.3 per cent.

What all these figures imply is that long-term inflationary expectations have not been locked in through the US labour market, as most conventional economists predicted and as occurred so rapidly, for example, in Britain last year. Reality appears to have confounded the confident predictions that American workers would respond to the recent surge in price inflation by demanding and securing higher wages.

Of course, it could turn out that the very low pay *increases of the last two* months were merely a statistical aberration, perhaps connected with the large numbers of poorly-paid students entering the labour force and the widespread layoffs of highly-paid car workers in Detroit. Assuming the moderation *of* pay increases continues, however, the implications would be momentous for the equity market, for economic *management and even for politics in the US.*

The economic policy implications are familiar enough. *If inflation* is not becoming ingrained in the US labour market, then the main obstacle to a further easing of monetary policy by the Federal Reserve Board disappears.

Since manufacturing tends to be much more interest sensitive than the service sector, in no small measure because of the influence of interest rates on the dollar's exchange rate, the US authorities would dearly like to ease monetary policy, provided they could do so without obviously exacerbating inflationary expectations. The recent wage figures provide them with the opportunity to do just that.

However, the benefits of low wage inflation for the equity market would go beyond the well-known macroeconomic and valuation effects of lower interest rates. Tighter than expected control of wage costs, if it can be maintained, could well forestall the squeeze on *corporate profits which has* become Wall Street's biggest bugbear in the past few weeks.

Investors have been exceedingly nervous about the second quarter results season which will begin next week. Their nerves were first set jan*gling by the economists about* a month ago, when the Commerce Department published a revision of the *first quarter* statistics on the gross national product. These figures showed that, despite the big profit increases reported by most US companies *in the* first quarter, the true value of underlying corporate profits, adjusted for inflation, was 4.6 per cent below the level of a year ago.

The essential reason for the sharp decline in profits could be expressed by a simple and *unsettling piece of arithmetic*. The broadest measure of US inflation in the first quarter, the GNP deflator, increased by only 3.6 per cent in the first quarter. Unit labour costs, meanwhile, increased by 6.8 per cent, as wages and benefits *advanced by 5.5 per cent and* productivity declined by 1.1 per cent. In other words, US businesses were facing rapidly rising costs and failing to recover them from consumers — the classic recipe for a profits squeeze.

As long as wages continued rising, there seemed to be only one way out, and it was not one guaranteed to reassure investors. If the Fed relaxed monetary policy, companies could pass on rising costs more easily to consumers and rebuild their profits, but only at the cost of accelerating inflation.

After just two months of surprisingly low wage figures, it is still too early to rule out this inflationary resolution of America's economic problems. However, *the chances of a non-inflationary* soft landing did look better by Friday morning than even a day before.

Monday	2452.77	+ 12.71
Tuesday	Closed	
Wednesday	2456.56	+ 3.79
Thursday	2462.44	+ 5.88

Anatole Kaletsky

JUNIOR MARKETS

Hard labour in the job market

THERE IS a kind of dismal logic in the idea of a banking training specialist giving advice to sacked City employees. *The notion of the same* company providing lessons in flower arrangement and cookery strikes an even more poignant note.

This week DC Gardner Group, the financial training company, started to do just these things. It bought Coutts Consultants, an "outplacement" agency, and Constance Spry and Cordon Bleu Group, a finishing school. In a *rather* more traditional move, it also bought Market Simulation, a company involved in computer training simulators for financial markets.

Its move coincides with the growing role of the recruit*ment agencies on the USM.* The mini-sector was boosted in April by the addition of the Birmingham agency Ibex Holding, after being swollen by several newcomers last year.

The companies in this sector appear to be experiencing rather mixed *fortunes. Perhaps* the most obvious beneficiaries of the current economic uncertainty are the businesses specialising in outplacement — the slightly euphemistic term used to describe counselling services that help sacked employees find their feet again.

The main quoted practitioner of the art is Sanders & Sidney, which joined the USM in 1987. Like Coutts, Sanders & Sidney has found that a large chunk of business originates from City redundancies. Sanders, which reported a 9.5 per cent rise in annual pre-tax profits last month, said that *this was a "gradual but continuing"* source of turnover.

But the state of the market is far less clear for the mainstream recruitment agencies. The USM-quoted Select Appointments said at its annual meeting last week that it was "experiencing very strong trading" in its UK operations, with new records of growth being achieved in the temporary business.

It argues that — given that *the number of vacancies* outstrips the number of suitable candidates — it would be unaffected by a downturn in demand. But it may not be quite so simple as that. A discouraging note was struck by the fall in profits reported by Reed Executive, one of the market's leaders, *last* week. And perhaps while the economic climate is so uncertain, people are likely to be more reluctant to move jobs.

Also, there may also be some reluctance from employers to take on permanent staff — a *point raised by* Pathfinders Group, a specialist media and entertainments recruitment agency, which reported profits this week. It had a generally buoyant year but experienced a slowdown in the second half as raised interest rates led to cutbacks in staffing levels.

Elsewhere on the USM, investors in *A&M* Group will be digesting one of the more complex but intriguing documents to thud onto their doorsteps. They are being invited to consider a complex set of proposals that centre on a reverse takeover by City and Westminster Financial, a financial services company well-known for its colourful battle for boardroom control of Bremner, a shell company.

The latest deal — an amal*gamation of a ambitious financial* services company with a loss-making furniture hire and film set business and a consumer protection and computer services company — will, on the face of it, form one of the market's wackier creations.

But there is an underlying logic, according to Andrew Greystoke, the company's architect. By reversing into A&M, City and Westminster will *gain a quote. Furthermore*, the company is expected to reap the benefits of a rescue *plan devised by Greystoke* along with another director, Brian Flinn, (who, incidentally, is also trying to turn around *Pavion International*, one of the most notoriously disaster prone of all the companies on the USM). As a result, Greystoke says, *the furniture hire* and film transport businesses are making a recovery — although they are unlikely to remain with the group in the medium term.

As an additional part of the deal, it is acquiring Archford, an *ambitious consumer protection* and computer company. From this it will obtain a client list which may help it in its ambitions to expand in retail financial services.

Moreover, the company will gain size as a result of the manoeuvre, which should *help* it take on more and even larger turnaround projects. *If* so, it will add to an extensive list of the struggling businesses which it has advised since its formation in January 1986.

It has been involved in reconstructions at Sumrie Clothes (a loss making textile company now called Summer International, an educational and training company); Lanca, a handbag manufacturer; and Platon International, a USM-quoted measurement, control and *information technology group.*

It is currently involved in bringing Access Satellite International, a troubled scaffolding company whose long-suffering shareholders have endured three years of their shares' suspension, back to the USM. City *and Westminster* has spent a couple of years cleaning up the legal disputes that have dogged the company and it shortly expects to announce its return, along with a US acquisition.

Vanessa Houlder

CONTINUED FROM PAGE I

Back to a black future

sation Cosatu, the United Democratic Front, and a number of associated organisations, all of which *take a roughly ANC* line. (Nearly everyone I spoke with, black or white, in practically every party, agreed that the ANC would get a convincing majority of black votes if a proper election was permitted.)

When I asked Chief Buthelezi about the killings, his reply was that the ANC had introduced the culture of violence and that, yes, his people defended themselves. Dr Mangosuthu Gatsha Buthelezi is Chief Minister of Kwazulu, the "homeland" administration set up under apartheid's divide-and-rule policy. *His royal family* tree runs back through Dingaan, Shaka and beyond. He received me outside the cabinet room in his large government building in Ulundi. You drive up through Alan Paton's rolling green and gold hills and *there are these concrete power-blocks*, like a Roman emperor's palace, manned by the most well-drilled and efficient black apparatchiks I have ever met.

Last time I visited a homeland leader, it was Chief Kaiser Matanzima in the Transkei capital of Umtata. No powerhouse then; we had to meet in his ordinary office since no black, not even the chief, could enter the Umtata hotel at the time. Chief Matanzima was ignored by the world; Chief Buthelezi's cabinet room is *adorned with photographs of* himself meeting Thatcher, Reagan, etc. He started by reading me a lengthy statement (we were alone in the room) which was handed later to the news agencies. Then, in a tone so argumentative as to be remi*niscent of Mrs Margaret* Thatcher, he fended off suggestions that Inkatha was tribalistic or confined to rural or uneducated Zulus.

The debate continued at lunch with most members of his cabinet (whose attitude to their charismatic Chief Minister had my thoughts flashing to their servile counterparts in London). His basic message was that Inkatha, too, had followed the ANC line initially, but that disagreements had arisen after 1979. Inkatha *opposed both the violent struggle and sanctions*; that seemed to be the main difference. I was more struck by the similarities: on every major current question — releasing Mandela, unbanning the ANC, lifting the state of emergency, the non-ac*ceptance of fake constitutional* devices, like a token black in the white Cabinet — the reply was the standard African nationalist fare.

It is possible to imagine Chief Buthelezi doing a deal that the ANC would shun but the immediate point is that, along with the other homelands' leaders, he reflects important aspects of mainstream black thinking. None of them would risk being regarded as a "sell-out" in urban township eyes, even if *any of them* wanted to; his aspirations to national leadership make this doubly true. As I left, a minion added to the pile of parting gifts, papers and books. On the top lay 147 pages, bound, of single-space typescript. It was Chief Buthelezi's policy speech to his assembly, made in March. Not a man with a humble opinion *of himself, I thought.*

■ ■ ■

So what really is happening out there? I go back to what Dr *Verwoerd said in the Cape Par*liament, then unquestionably lily-white, in March 1964: "One either follows the course of separation when one must accept the logical consequences, right up to the final point of having separate states; or else one believes in the course of assimilating the various races in one state, and then one must also accept the eventual consequences — viz, domination by the majority . . . ie, black domination . . . There is no middle course except during a transitional period."

The course of separate states has failed, partly because they have the worst land and are so poverty-stricken, partly because of the black population explosion, and partly because powerful homelands' leaders like Chief Buthelezi have rejected consistently the offer of "independence."

Dr Verwoerd's National Party — led yesterday by Presi*dent P. W. Botha* and today by Mr de Klerk — is, therefore, floundering. It is still inventing new words ("group rights") to disguise its Verwoerdian, tribally-based philosophy, but it is aware that events on the ground — demographic, economic and political — are threatening that philosophy. So, while so much has changed, nothing has changed. But if you were an optimist, you could tell yourself that we are beginning the argument about the transitional period.

Barry Riley examines the implications of the flotation

More quantity than quality

ABBEY NATIONAL BUILDING SOCIETY

FOR THE Government, the flotation of Abbey National has come as a welcome boost to its campaign for "popular capitalism." Whatever the grudging approach of the Building Societies Commission, you can be sure that Government leaders like Nigel Lawson and the Prime Minister herself have been right behind the plc conversion exercise.

For one thing, the Abbey move has served to fill an awkward gap in the privatisation programme. There has been only the British Steel flotation since the botched sale of the BP stake back in October 1987. Moreover, the coming water and electricity industry privatisations look like being troublesome, so that any development which might encourage demand is welcome.

Another important point is that the number of investors involved is very big. Some 5m Abbey investors are receiving their 100 free shares each (or 200 if they are borrowers as well). Of those people, 1.6m have also applied for extra shares and, on average, will be receiving just under 500 (although many will get the full maximum, which has been set at 775). Certificates are due to be posted next Monday and Tuesday and dealings on the Stock Exchange will begin on Wednesday.

But will all this really turn out to be a massive exercise in wider share ownership, as the Government hopes? It could simply be a phenomenon of wider share disposal. Hundreds of millions of shares out of the 1.31bn which have been issued are bound to be sold quickly. Investment institutions, which did not qualify for the private offers to Abbey members, will be queueing up on Wednesday for their first exposure to an important new part of the banking sector.

Unofficial grey market dealings by IG Index this week have suggested an opening price of around 155p. If so, a holder of 775 paid-for shares stands to make a quick profit of £180, making almost £350 altogether including the value of his 100 free units. From this must be deducted the cost of dealing which, via the special Abbey National Sharelink facility, is available at a minimum of £12 plus VAT.

It might not last very long but as of Wednesday morning, before dealings begin, there will be a record number of private shareholders in the UK. It is reckoned the total hit a previous peak of 9m in 1987, after the privatisations of that year and ahead of the October crash. Since then, the total has probably been declining gently.

Of the 5m Abbey National shareholders, only about 1.5m are thought to be existing investors in equities. So, there should be 12m or more shareholders in all, making around a quarter of the adult population. It could be seen as a demonstration of good progress for the Government in its mission to turn us all into individual capitalists.

If millions of Abbey shareholders sell out immediately to the institutions, however, will the Government's ambitions have been destroyed? Not entirely. At the very least, large numbers of savers will have been introduced to the concept of owning shares, and making money from them.

This was the reason so many privatisation issues have been sold off cheaply to the stags: it has been seen as essential by the Government to build a favourable, money-making image for the stock market. That was why the 1987 crash was such a disaster because it did precisely the reverse, by imposing heavy and shocking losses on unsuspecting investors.

However, feeding the new-issue stags can be only a first step towards building popular capitalism. Investment cannot be about quick profits alone. In equities, it must be about the willingness to build a diversified portfolio and manage it on a long-term basis.

Here we run into a problem with handouts such as Abbey National's issue of 100 free shares. In most cases, they are going to people who have no real interest in owning shares. In any case, a stake worth only of the order of £150 is too small to have any real significance as a long-term investment. And no Abbey shareholder will own an investment worth more than about £1,450, at least until the big fund managers get into the market on Wednesday.

Many, perhaps most, Abbey investors will therefore want to cash-in their allocations, as representing their compensation for the loss of mutual rights. There can be no strict economic sense in retaining such a tiny stake. But others will want to hold on, regarding their shareholding as representing a continuing bond between themselves and what was a building society but is now about to become a bank.

The Government's main preoccupation is in getting the huge electricity industry issues off the ground in 1990 and 1991. So far, the Abbey flotation has gone very well, with a better than expected response from the members of the society. If the shares continue to maintain a decent premium over the 130p offer price during the next few weeks, the prospects for future official privatisations will have been enhanced.

But share ownership by private investors remains very thin and patchy in the UK. The Abbey flotation will add quantity, but might not do very much about quality.

Big fund managers could be waiting on the sidelines in the hope of picking up a bargain

To sell or not to sell: that is the question

WHAT ARE you going to do with your Abbey National shares once you have received your allocation? Most small investors seem eager to off-load them as soon as possible for the best price they can get in the market, but are the big fund managers waiting on the sidelines in the hope of picking up a bargain? Finance & the Family asked a selection of potential buyers and sellers for their views.

■ Job Curtis, investment manager of Touche Remnant General Growth and TR Income Growth unit trusts:

"I'll wait and see what the opening price is in the market. It would have to be below 140p for me to be interested. Above that, I'm just not that interested – I'm a long-term investor so I'm not particularly enthusiastic about it.

"I think hopes of 155p are over-rated, so there could be some disappointment in the market.

"The problem for investors is that the company's main product is mortgages, and it's a difficult market because of the housing slump. Abbey National has a very good track record in mortgages, but the housing market is in a terrible situation and has basically fallen over the edge of the cliff.

"Diversification into other banking services means entering a very competitive market – TSB's recent results should serve as a bit of a dampener."

■ Alec Leaver, chairman of Abbey Members Against Flotation (AMAF), who is both a saver and a borrower with Abbey National and is, thus, entitled to two lots of shares:

"It's difficult to know about the share price – it's very much in the lap of the gods. TSB started out at a reasonable discount, the value shot up and then dropped, and it's now somewhere around the issue price. I will sell as soon as I can. A lot of people think it will reach 150p but my object is to get out of the shares.

"I think it will become more difficult for Abbey National to make a profit from borrowers in future: one reason for it becoming a plc is the downturn in the market, and there will be more emphasis at Abbey on other financial services. This could leave mortgage-holders out on a limb.

"I'm going to move my mortgage as soon as possible to a real building society, which will be expensive because of legal costs etc. It would be a splendid idea if some of the building societies would offer special rates to ex-Abbey borrowers. Some existing building societies could attract some more mortgages from the Abbey that way.

"It's partly to protest and partly to protect my own interests that I'm moving my mortgage to a proper building society."

■ Elizabeth Woodman, a trainee solicitor who has a savings account with Abbey:

"I think I will sell immediately at the best price – they say it might go to 150p. I don't see that the issue is a good thing for Abbey National; it will take away the discipline. I can't see what they will do with the money except open up more branches."

■ Peter Hill, deputy managing director of marketable securities for British Coal pension funds:

"Whether we buy any Abbey National shares for the pension funds depends on how it opens. It would have to be at a significant discount to asset value; in other words, below 150-160p. TSB is a good comparison – anything has to be better than them although we have bought some TSB since it was floated."

■ Neil Miller, private saver:

"The problem is that the allocations are too small to bother with when it comes to making a quick profit. Anyway, the shares are going to produce an above-average yield so I think they are worth holding onto. I'm going to put mine into a PEP scheme.

"Anyway, whatever one says about the TSB, Abbey has a very strong position in the high street."

■ A pension fund manager who asked to remain anonymous:

"We have certain funds that will want to participate in Abbey National because they are index funds and so will have to have Abbey when it is included in the index. There's not a lot of enthusiasm from the other funds in this office. I can't see the share price moving a great deal; depending on the market, it could reach 145p.

"A lot of people are just in the offer just for the short-term gain and I can't see the institutions falling over each other to get hold of Abbey shares."

■ Mandy Sanders, saver and borrower:

"I'm hoping the shares will go to 160p, but I'm planning to flog them at whatever price I can get – the money's going towards a new roof on my house."

It's free from L&G

LEGAL & General has joined the ranks of those making "special offers" to Abbey National shareholders. It is offering units in its Equity trust in exchange for Abbey National shares at no cost - which means you do not have to pay broking commission or the front-end unit trust charge.

However, Legal & General's Equity trust has shown a far from stunning performance in recent years, ranking 48th out of 80 UK growth funds in the past seven years and only 127th out of 142 funds in the past three years, according to Micropal statistics.

The group is offering to buy a minimum of 100 Abbey National shares from investors at midway between the buying and selling price. Minimum investment is £1,000 so, if your shares add up to less than that, you will have to make up the rest in cash.

□ Cawood Smithie, the Harrogate-based stockbroker, points out that its Abbey National share dealing offer of £10 plus VAT applies to both individuals and families, regardless of the size of the shareholding. The offer is open between July 12 and July 28.

Keeping your holding? Then personal equity plans make sense, says John Edwards

Try a PEP for those Abbey shares

IF YOU DECIDE not to sell your Abbey National shares immediately for a quick profit, it could make a lot of sense to put them into a personal equity plan (PEP) to draw the benefits tax-free. Under the new-style PEP rules, you can draw any dividend income tax-free and take out your money at any time. So, PEPs makes an ideal vehicle to hold Abbey shares, especially if you have a potential capital gains tax liability.

With this in mind, Abbey National this week announced the launch next Wednesday (the first day of dealings) of a special PEP designed to hold Abbey shares only. However, you need to act quickly if you want to transfer the new shares into a PEP since, under government regulations, the transfer of new issues has to be completed within 30 days from the allocation date (July 3 in the case of Abbey National).

Originally, in this year's Budget, the ability to transfer new issues into a PEP was confined to shares available to the public. This effectively excluded Abbey shares which are being issued initially only to the society's employees, savers and borrowers. However, the Government surprised even the Abbey when, on June 8, it changed its mind and announced that it was extending the new issues concession to building societies converting to plc status. Thus, the society had to act fast to meet the deadline of August 2 (30 days from July 3). This primarily is why it has confined its PEP solely to Abbey shareholdings.

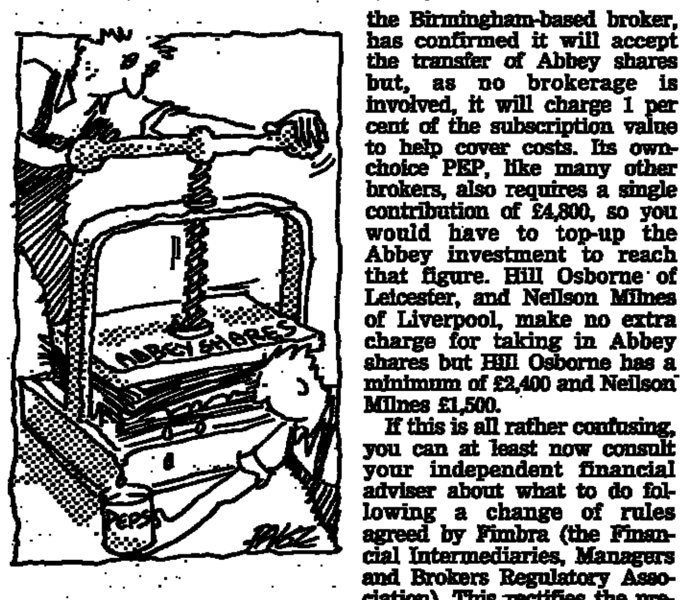
Under its scheme, the minimum number of shares that can be transferred is 600, but the whole of any individual's allocation from each share certificate must be transferred. After August 2, cash sums of £1,000 or more can be added and will be used to buy further Abbey shares (at the market price). This is subject to the maximum of £4,800 that can be invested by any individual in any PEP during the financial year from April 1989 to April 1990. However, the value of the new issue shares (including the free ones) is based on the issue price of 130p, not the market value. This is a useful concession since, assuming Abbey shares go to a premium, you are effectively transferring into the PEP shares at a discount and can, therefore, in real terms exceed the permitted maximum of £4,800 for a new-style PEP.

Abbey is charging an initial setting-up fee of £19.50 including stamp duty, VAT and management charges during the first year. Dealing charges for subsequent sales, or purchases, will depend on the size of the transaction but they should be competitive if Abbey can use its position as a big trader to negotiate cheap commissions. In the second year, an annual management charge of 1.25 per cent of the fund's value will be made. Partial withdrawals of £500 or more can be made after the PEP has been open for two months, subject to a minimum of 600 shares being maintained. A £20 charge will be made if you close the plan during the first two months. After that, the charge for closing the plan completely will be the dealing costs.

The savings made by transferring your Abbey shares to a PEP depend on the size of the holding and your tax position. Under a PEP, any dividends, whether retained in the fund or paid out to the investor, are free of income tax and there is no liability to capital gains tax, either. So, obviously, the main beneficiares are those paying high-rate income and capital gains tax. Standard-rate taxpayers, with 885 shares, would actually lose money in the first year if they are not liable to pay capital gains tax. Assuming the dividend yield is around £70 (8p a share), the standard-rate tax saving is below £18, while the cost of entering the PEP is £19.50. Thus, if you are in this position it must be viewed as a longer-term exercise.

The Abbey scheme is not the only option, however. There are several other PEPs with a "choose your own" facility to which the new issue shares can be transferred. But there are complications. For instance, Abbey shares can be transferred only into a new-style PEP – that is, the version introduced after the Budget for the 1989/80 fiscal year. But the Abbey shares cannot be put into unit trust-only PEPs or managed share portfolios.

If you already have one of these PEPs, you can forget about taking in Abbey shares unless you are prepared to go to the trouble of transferring it to another plan manager with a "choose your own share" PEP. But there are only a limited number of these and, even then, there are further restrictions. For a start, if you have already used up your allocation of £4,800 into a new-style PEP, then you can't transfer Abbey shares in. There are also problems if you are invested in an old-style scheme where the plan manager has not yet converted to a new-style PEP.



The Government surprised everyone when it said it was extending the new issues concession to societies becoming PLCs

Then, there are restrictions imposed by the plan managers. NatWest, for example, whose Shareplan PEP is one of the few allowing you to select your own stock, has a minimum of £1,500 for any Abbey shares. So, if you have got only 875 Abbey shares (775 extra and the 100 free shares), you either have to buy more to reach the minimum or must sell them and purchase other shares, with a top-up of cash. There is an initial setting-up charge of £25, which entitles you to a full-blown PEP not confined only to Abbey shares, and an annual management fee of 0.75 per cent of the fund's value.

Many of the stockbroking firms have also got choose-your-own share schemes and are prepared to take in Abbey shares, subject to various restrictions. Albert E. Sharp, the Birmingham-based broker, has confirmed it will accept the transfer of Abbey shares but, as no brokerage is involved, it will charge 1 per cent of the subscription value to help cover costs. Its own-choice PEP, like many other brokers, also requires a single contribution of £4,800, so you would have to top-up the Abbey investment to reach that figure. Hill Osborne of Leicester, and Neilson Milnes of Liverpool, make no extra charge for taking in Abbey shares but Hill Osborne has a minimum of £2,400 and Neilson Milnes £1,500.

If this is all rather confusing, you can at least now consult your independent financial adviser about what to do following a change of rules agreed by Fimbra (the Financial Intermediaries, Managers and Brokers Regulatory Association). This rectifies the previous absurd situation whereby brokers in certain membership categories were allowed to sell only unit trust PEPs but were not allowed to mention share PEPs. They were, therefore, often not in a position to give "best advice" in, say, warning investors that by taking out a unit trust-only PEP, they might be unable to invest the maximum of £4,800.

Meanwhile, three more companies announced the launch of PEPs this week.

■ Equity & Law is introducing two unit trust-only PEPs. One gives a choice of three of the group's funds; the other, PEP 2000 Plus, is a direct marketing product investing solely in a higher-income fund.

Both versions allow you to make lump sum contributions from £1,000 to £2,400, or monthly payments from £30 to £200. They also offer a "loyalty" bonus if you retain your investment until January 2000. The bonus, paid in the form of additional units, will be equal to 5 per cent of the original year of investment. Of more significance to existing holders of the group's unit trusts is that they can switch into the unit trust PEP at a 4 per cent discount.

■ Mercury Rowan Mullens, part of the Warburg group specialising in private clients, is entering the PEP field with a scheme allowing you to invest in both unit trusts and shares. You can choose between five unit trusts or leave the choice up to Mercury, which will also select the shares on your behalf.

You can invest between £1,000 to £4,800 as a lump sum, or contribute between £50 to £200 a month into the unit trust part only. There is no extra initial charge. You pay only the standard unit trust charges but there is an additional 1.5 per cent management fee for the shares element only, and dealing costs are 1.65 per cent.

■ Sun Life is also bringing out two PEPs, one a unit trust-only plan and the other a "share basket" investing in a portfolio of five stocks selected by the company either for capital growth or income, depending on the investor's requirements. The group's standard charges of 5.75 per cent initial and 1.5 per cent annual apply to the unit trust PEP. But the same charges also apply to the "share basket" plan, making it an expensive way of buying shares.

When words are not bonds

ANOTHER COMPANY scandal involving the funds of small investors surfaced in the High Court this week with an order for the liquidation of eight firms selling Royco bonds.

Details read out in court sounded like the purest slapstick; and the two hours spent reading them out provoked alternate gasps and giggles among the few people who sat out the day-long litany of more normal bankruptcy proceedings to hear the fate of Royco Investments and its associates.

There were the 1930 Weimar Republic bonds being used as assets to guarantee investors' funds. Some of these turned out to have the same serial numbers as those which had figured in an earlier financial debacle with Signal Life three years ago.

There was the rubber stamp used for the signature of the sole director of some of the companies. There was the mystery surrounding the identity of several of the companies. Some of them had names resembling closely (bar an extra letter or two) those of reputable but entirely unconnected firms.

Less amusing was the fact that while investors' funds reached a total around $29m, only $5m in assets has turned up. So, although no investors yet seem to have lost any money, the outlook for those with bonds outstanding does not look very healthy.

William Charles, representing the Department of Trade and Industry, said that the DTI inspectors had found a "dog's dinner" when they started their work on January 6.

The Royco Investment Group – or whatever name the set of companies is properly known by, since the inspectors found it hard even to be certain of this – appealed mostly to investors outside the UK, particularly in Germany.

The attraction for small investors was that Royco Bonds (there were four of them in all) offered the sort of return you can get only from relatively speculative investments in traded options and financial securities. Despite this, the first two bonds (but not the third) offered a capital guarantee.

It now turns out that most of the firms in the group had little or no capital or assets. The foreign firms in the group (these were registered variously in Panama, Jersey, the Netherlands, the Netherlands Antilles, Switzerland, and France) had little or no existence in their country of registration, while they had not gone through the formalities for foreign companies trading in Britain.

Nor, needless to say, had they been authorised under the Financial Services Act to carry on business. Despite this, the group resisted the provisional order for its winding-up on May 25 – and might have been successful but for the fact that its solicitors withdrew abruptly when it became apparent they wouldn't be paid.

Equally striking were some of the loose ends outside the UK. Those who think a Channel Island name sounds comfortingly reassuring for investors will be dismayed to hear that, according to Charles, the inspectors said the only connection between the island of Jersey and Royco Investment (Jersey) was that the company was registered there.

International investigations now loom. In the UK, matters are in the hands of Denis Dolman, the Official Receiver.

Stephen Adamson of Arthur Young, the accountancy house, has been appointed special manager to handle investors' affairs. He can be reached on 01-242-2124 (ext. 344 or 363). Anyone owning Royco bonds should call him as soon as possible.

David Barchard

THE WEEK AHEAD

Retail groups take stock

RETAILING and entertainment stocks lead the field next week, with preliminary figures from Asda Group and John Menzies expected on Monday. Asda, the food retailer, is involved in three strategic situations at the moment and its financial results will probably be used in the City as an excuse to review all or any of those.

This week First City Financial, the Vancouver-based arbitrage vehicle owned by the Belzberg family, increased its equity stake in Asda to 4.53 per cent, compared with 3.7 per cent in June and 2.55 per cent in May. The Asda share price has reflected this interest.

Asda is also involved in the rival bids for Gateway: if Isosceles wins, Asda has agreed to buy 62 Gateway superstores, halving its anticipated earnings growth and lifting its gearing to around 80 per cent in the process.

Finally, says Rowan Martin of Shearson Lehman Hutton, Asda's erstwhile retail partner (now associate), MFI, is having a difficult time; put the last two situations together, he says, and the group could be looking at a flat earnings prospect in 1989/90. In the meantime, 1988/89 profits should be up from £215m to £242m before tax.

John Menzies produced profits for 12 months last April up from £26m to £28m before tax, within a financial period extended by three months from January 31. It changed its year-end to reduce the disparity between first and second halves caused by its increasing commitment to retailing; and said that February to April is a low-profit quarter and will add a relatively small amount to profits.

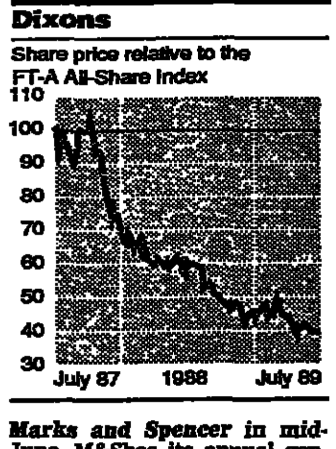
As Asda and Menzies have climbed in the stock market ratings, so Dixons Group has descended. The group's radio, television and electrical wares were hit by the stock market Crash in October 1987, and profits growth disappeared in 1987-88. There was a 15 per cent fall to £42m in pre-tax profits for the first half of 1988-89. In April, Verdict Research said that prospects were "dull" for electrical retailers. It noted that Dixons, the market leader, had suffered more severely than its competitors.

Nick Bubb of Morgan Stanley expects full-year profits onWednesday to fall from £103m to somewhere in the £75m to £80m range and thinks that the group will have had a bad start to the current year. "Dixons has a tough battle ahead to convince the market that it can rediscover its competitive edge," he comments.

Bubb, and his co-analyst Mark Husson, put out a much more positive analysis of

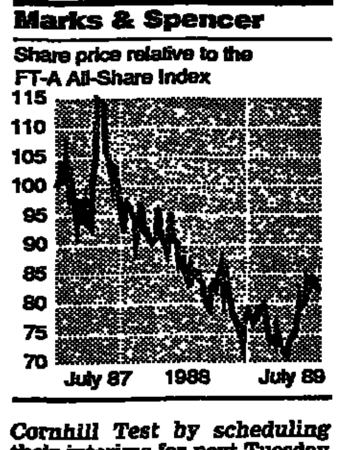
Dixons

Share price relative to the FT-A All-Share Index



Marks & Spencer

Share price relative to the FT-A All-Share Index



Marks and Spencer in mid-June. M&S has its annual general meeting on Thursday and the Morgan Stanley analysts expect the chairman, Lord Rayner, to be somewhere this side of ebullience about UK trading. As they see it, the company has been bucking the weak trend in fashion, and its food sales will have bounced back after the listeria scares about chilled products.

The big entertainment or entertainment-associated groups, *Granada Group* and the *Rank Organisation*, showed their respect for Wimbledon and most of the third *Cornhill Test by scheduling* their interims for next Tuesday and Thursday respectively. Rank bid for Granada in 1986, but had its £740m offer vetoed by the Independent Broadcasting Authority.

Since then Granada has gone for growth, acquiring Electronic Rentals for £250m and DPCE, the computer services company, for £110m and selling its Barranquilla property subsidiary for a net £71.7m. But, early in May, it told its shareholders *what fans of Dixons* knew already: "Consumer electronics retailing," it said, "is being affected by difficult trading conditions, both in the UK and overseas."

However, Mark Brumby of Schroder Securities sees more room for relief than disappointment in this situation; he expects a 9 per cent rise in fully diluted earnings this year with half-year profits, on that path, rising from £58m to £70m or so.

His head of research, Richard Harwood, thinks that Rank will report profits up from £105m to £135m for the first half, on the way to £307m this year and £379m next, against £208m in the year to October 1987. At this rate the company's share price, hovering *around its peak for the year*, would hardly need the juicy rumours that have been floating around the market.

These involve a possible bid in the US for Xerox Corporation, Rank's partner in the Rank Xerox copier operation which has been the powerhouse behind the UK company's growth. The Xerox board, goes the argument, would have a fiduciary duty to get the best price they could; that would involve putting a true value on Rank Xerox, and particularly the latter's 50 per cent holding in Fuji Xerox, its 50 per cent owned Japanese associate.

Historic p/e ratios for Fuji Xerox's competitors in the Japanese market are anything between 30 and 114, says Harwood. "Fuji Xerox," he adds, "*is currently valued in the* Rank Xerox accounts at £355m, representing a p/e of approximately 7."

Ferranti International Signal, which is due to report its preliminary figures on Friday, has also been active (or, in this case, reactive) in the past few days, bobbing around nervously in the wake of warring giants like GEC, Siemens and Plessey on speculation that it could be devoured as a substitute course, as a poison pill, or even as dessert.

It has to be said that Ferranti fans have had little left to talk about. The defence electronics group said a fortnight ago that outside expectations for profits in 1988-89 had been far too high, and that it expected to report a 20 per cent drop to around £55m at the pre-tax level. Before that, most analysts had been expecting between £80m and £85m.

The analytical fraternity has been perplexed this week by high volumes and high prices in Ferranti's share trading. Some are inclined to believe that something must be going on; others are saying that it was too late now for Plessey to pull the classic defensive stunt – by bidding for Ferranti, and blocking the GEC/Siemens threat in the process.

William Cochrane

Making the most of a windfall

HOW DO YOU invest a windfall of around £50,000 in real life? Gerry Solomon, right, a Lloyds Bank senior general manager, didn't think much of the suggestions contained in the June 17 issue of Weekend FT, when a variety of financial advisers were asked what they would recommend 35-year-olds and 60-year-olds to do with a windfall of this kind.

He thought the advice was "no doubt sound, certainly predictable – and very boring." And he questions whether it met the reality of the situation.

Solomon is not yet 60, although he is not too far away, but he chose a very different way of dealing with a similar sized windfall that came his way. His philosophy was that by the age of 60 you should be organising your affairs to get the most out of the time left to you.

So what did Solomon do with his windfall? He bought two life memberships of the National Trust; two debentures in the Mound Stand at the Lords cricket ground; and spent the remainder on a holiday cottage.

The life memberships cost very little. The debentures give no interest but are repayable and allow you to watch cricket in comfort with your wife, since women are not allowed in the members' pavilion at Lords. Meanwhile, the cottage has increased significantly in value during the last 18 months.

However, according to Solomon, the best part above all is "that my wife and I are having a jolly good time."

John Edwards

Unit trusts bounce back

THE UNIT TRUST performance figures for the first half of 1989 seem to belie the gloom that has pervaded the industry for months now. The average performance across all the main sectors has been good. If the industry cannot now shake itself free of post-Crash trauma syndrome, there is something very wrong with its marketing.

The Unit Trust Association's May figures show that total unit trust funds under management have now just passed the pre-Crash high of £50bn. Net new investment so far this year has been well up on 1988. If this continues for the rest of the year, the industry will again be seeing volumes of business comparable to the boom market years.

First American, then European, funds have emerged as the strong performers. Events in China, and a weak yen and political uncertainties in Japan, have made the Pacific look sick in the last few weeks. Nevertheless, over the year to date it is the smaller Far Eastern markets which have emerged at the top.

The year's first half has been a triumph for the specialist fund, with a top 30 featuring Singapore and Malaysian funds as well as special situations and smaller companies funds in the European and US markets. Even on an offer to bid basis – a stiff test for six-month performance – the top fund, Providence Capitol Emerging Asia, gained 53 per cent.

Setting aside the top performers, the averages in almost all sectors are good. Worst performers over the six months were, predictably, gilt trusts. Gilt Income trusts averaged 0.6 per cent gains and Gilt Growth trusts 1.4 per cent. Also relatively poor was Australia, with only 3.9 per cent growth.

Apart from these, every sector showed a gain of more than 10 per cent and eleven sectors grew by more than 15 per cent.

Star performers were North American trusts, averaging 31.5 per cent; European trusts, at a 27.7 per cent average; and investment trust units, which averaged 24.6 per cent.

The UK sector made a relatively poor showing, with averages in the 15 to 20 per cent range, though even these figures – over only six months – far outperform returns from building society deposits.

The accompanying table shows that the boom in values, prior to the October 1987 Crash, was confined mainly to UK market funds. During the past two years, funds investing in overseas markets have done better.

Christine Stopp

UNIT TRUST PERFORMANCE FIGURES

Sector:	Six months to: 1.7.87 %	1.7.88 %	1.7.89 %	1 year to: 1.7.89 %
UK General	34.8	9.9	19.0	9.9
UK Growth	35.7	12.1	18.7	6.9
UK Eq. Income	36.5	8.7	15.1	7.1
Int'l Growth	15.1	14.1	21.6	13.5
N. America	8.2	20.2	31.5	18.9
Europe	-5.8	13.1	27.7	27.8
FE & Pac.	15.2	30.5	22.3	14.7
Japan	10.4	23.0	12.2	8.3

Source: Finstat

Mortgage rates may rise again

THE PRESSURE is on for a further rise in mortgage rates. The decision by several centralised lenders, who rely on wholesale money market funds, to raise their rates to 14.5 per cent and upwards is expected to tempt the clearing banks and some building societies to follow suit shortly.

Indeed this week the first crack appeared when the Co-operative Bank lifted its rate for new borrowers from 14 to 14.75 per cent.

Banks tend to assess the profitability of their mortgage business *on the cost of wholesale* funds and home loans below the base rate of 14 per cent are loss-making using that criteria. Terry Thomas, the Co-op Bank managing director, said that it was unfair for one sector of its customer base to cross-subsidise another and that it was therefore right to put the mortgage rate up to a level which reflects the true cost of money.

In contrast building societies, which rely on retail deposits for their funds, are under much less pressure, while they keep down investment rates paid to depositors. Nevertheless, should the banks go for higher mortgage, and investment, rates, building societies may well move up as well, *especially as there is little* prospect of any cuts in interest rates on the horizon.

■ The mighty Halifax building society has confirmed that it is now prepared to accept interest-only loans linked to Personal Equity Plans (PEPs). This is quite a breakthrough for advocates of PEP mortgages, which are basically only suitable for reasonably financially aware borrowers, since they carry a greater element of risk.

The tax-free concessions and flexibility in being able to take out surplus funds give them considerable advantages as a repayment vehicle. But PEP funds are confined to investments primarily in UK shares only, so you could face trouble if there was a sustained downturn in the London stock market or if the fund simply performs badly.

John Edwards

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.68	monthly	1	-	0-7
High interest cheque	6.50	6.70	5.36	monthly	1	500-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	6.96	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.36	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	9.00	9.00	7.20	yearly	1	10,000	0
90-day	9.50	9.20	7.36	half yearly	1	500-9,999	90
90-day	9.45	9.67	7.74	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	6.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.07	10.55	8.44	monthly	1	2,500	0
Provincial Bank	10.27	10.77	8.62	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1986-89	11.63	10.38	9.63	half yearly	4	-	0
3pc Treasury 1992	11.46	9.35	8.09	half yearly	4	-	0
10.25pc Exchequer 1995	10.78	8.18	6.62	half yearly	4	-	0
3pc Treasury 1990	10.54	9.75	9.28	half yearly	4	-	0
3pc Treasury 1992	9.66	8.83	8.32	half yearly	4	-	0
Index-linked 2pc1992§§	8.92	8.41	8.10	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS: TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Alida	369	328	275	41.48	Scott & Robert.
Alva Inv. Tst.	314*§	310	285	5.50	ERI
Business Mort Tst	71	75	61	10.60	Nat. Home Loans
Business Mort Tst	77*	75	65	11.55	Nykredit
Brookmount	600*	585	535	81.74	Ford Sellar Mor.
Chambers & Fargt‡	150*§	147	148♣	9.50	Karlshamns
Coalite	475*	470	424	476.0	Anglo United
Cons. Gold Fields	1530*§§	1479	1253	3.46bn	Hanson
Gateway	230§§	239½	184	2.05bn	Isosceles
Gateway	242*	239½	215	2.15bn	Newgateway
Guinness Mahon	146*	146	142	94.46	Bk. of Yokohama
Habit Precision	75§§§	76	70	10.03	Epicure
Juliana's Hldgs.	102	91	83	21.52	Wembley
Laidlaw Thomson‡	202§§	197	165	13.82	Newman Tonks
Lyon & Lyon	425*	419	345	13.6	Corton Beach
M6 Cash & Carry	155*	150	142	13.02	Fitzwilton
Molins	190*§	198	208	55.81	IEP Securities
Parkdale	135	129	121	54.80	Pavilion Leisure
Pentland Inds.	114§§	107	104	329.0	Bertrams I.T.
Prop. Co. London‡	175‡‡	173	255	22.95	Lodge Care
Prospective Grp‡	61	62	66	20.76	Doctus
Red Funnel	205*	225	188	20.9	Sally UK Hldgs.
UEI‡	701	690	529	495.61	Carlton Comms.
Ward White	400*§	441	325	474.0	Boots
Do Cnv Prf	137*§	149½	117	326.0	Boots

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 7/7/89.†At suspension. §§Shares and cash. ♣Price before indication of offer:114p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
AIM Group	Friday	2.2	5.3	2.4
Aitken Hume	Monday	1.5	1.0	-
Asda Group	Monday	1.6	2.5	1.85
Atlantic Securities	Friday	-	-	-
Barbour Index	Tuesday	2.0	3.5	2.5
Batleys	Monday	0.5	1.9	0.5
Birmingham Mint Group	Wednesday	2.75	4.75	3.0
British Building & Eng.	Wednesday	1.0	2.0	2.0
Dixons Group	Wednesday	1.3	3.0	1.4
Ellis & Everard	Monday	1.9	3.7	-
Equity Consortium Inv Trust	Tuesday	4.38	10.41	4.5
Ferranti International Signal	Friday	0.72	1.61	0.78
Finlan Group	Tuesday	2.0	2.5	2.2
First Chicago Corporation	Friday	-	-	-
First Technology	Monday	1.7	3.3	2.5
Firth G.M	Thursday	0.5	1.4	2.25
Fleming Overseas Inv Trust	Tuesday	1.0	1.7	1.5
Fleming Technology Inv Trust	Monday	1.5	2.55	1.65
Flextech	Tuesday	-	-	-
Highgate & Job Group	Tuesday	-	-	-
Howden Group	Tuesday	1.28	2.57	-
Jones, Stroud	Thursday	2.0	4.0	2.5
Knobs & Knockers	Tuesday	0.67	1.33	0.8
Leopold Joseph	Wednesday	2.81	11.57	3.1
Marks & Spencer	Thursday	1.55	3.55	-
Menzies John	Monday	1.65	4.15	3.0
Monotype Corp	Thursday	1.7	-	-
Moorgate Investment Trust	Friday	1.9	4.6	2.4
Porter Chadburn	Thursday	0.25	0.8	0.6
Ransom William & Son	Monday	0.44	0.9	0.5
Robertson Group	Monday	0.9	2.4	1.1
Southend Property	Tuesday	0.2	0.2	1.0
Stewart & Wight	Thursday	-	-	-
Symonds Engineering	Thursday	0.3	0.7	0.3
Tiphook	Tuesday	1.65	3.73	2.16
Trevian Holdings	Tuesday	-	1.0	1.25
Triplex Lloyd	Monday	1.25	3.25	1.75
Union Square	Monday	0.3125	0.225	0.4
Wintrust	Tuesday	2.25	4.7	2.5
Wyko Group	Tuesday	1.1	1.65	1.25
Zetters Group	Tuesday	1.5	4.5	1.5
INTERIM DIVIDENDS				
Acsis Group	Friday	-	0.6	-
Anglo & Overseas Trust	Friday	1.35	2.75	-
Barr AG	Monday	3.25	9.75	-
BWD Securities	Wednesday	-	2.5	-
Central Motor Auctions	Thursday	-	2.75	-
Commercial of the Near East	Tuesday	-	30.0	-
Egerton Trust	Tuesday	2.0	4.5	-
General Consolidated Inv Tst	Friday	3.24	4.49	-
Granada Group	Tuesday	4.0	7.2	-
Low & Bonar	Monday	2.2	-	-
Macarthy	Thursday	4.5	7.0	-
M & G Dual Trust	Wednesday	20.2	25.0	-
Norfolk House Group	Monday	0.75	2.62	-
Rank Organisation	Thursday	8.5	17.75	-
Sperati C.A	Tuesday	-	-	-
Torex Hire	Thursday	-	-	-
TVS Entertainment	Wednesday	3.5	8.0	-
Union Discount Co of London	Wednesday	11.5	18.5	-
Wilding office Equipment	Thursday	1.6	2.4	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
AAH Holdings	Mar	30,000	24,500	30.1	(28.3)	11.95	(10.2)
Aberfoyle	Dec	2,920	(1,870)	3.18	(2.33)	-	(-)
Alexander Russ.	Mar	2,750	(2,670)	6.01	(6.81)	2.04	(1.94)
A&M	Mar†	1,060 L	(1,670)	-	(-)		
Ass British Eng.	Mar	834	(232)	0.25	(0.04)	0.08	(0.03)
Baker Harris	Apr	3,800	(3,423)	20.6	(20.5)	7.0	(6.25)
Beaverco	Mar	2,620	(1,630)	24.2	(15.9)	7.5	(5.7)
Bristol Eve Post	Mar	8,100	(6,080)	20.6	(15.3)	10.5	(9.0)
Brown & Tawse	Mar	9,600	(7,620)	21.6	17.0	9.5	8.0
Bucknall Austin	Apr	1,220	(787)	11.5	(9.2)	3.9	(-)
Carclo Eng.	Mar	9,170	(8,120)	15.5	(13.5)	5.9	(4.7)
Central & Sheer.	Dec	1,080	(1,160 L)	-	(-)		
Deejan Holdings	Mar	32,520	(21,970)	127	(88.1)	22.0	(19.0)
Dense Investment	May	514	(446)	7.29	(6.36)	7.15	(6.31)
Dominion Int'l	Mar	5,440	(4,870)	6.24	(5.81)	5.6	(5.5)
Domino Printing	Apr	1,950	(2,270)	6.33	(7.4)	-	(-)
Embassy Property	Mar	2,290	(1,095)	25.6	(15.8)	2.3	(1.2)
Empire Stores	Apr§	6,150	(5,910)	10.3	(9.73)	5.625	(5.23)
Farepak	Apr	2,260	(1,710)	13.3	(10.5)	1.575	(-)
Fitch Lovell	Apr	32,000	(27,800)	24.3	(24.2)	12.25	(12.0)
FKB Group	Mar	8,770	(5,740)	25.0	(17.7)	7.0	(5.0)
Ford Sellar Mor.	Apr‡	14,150	(3,500)	25.9	(8.42)	5.0	(2.5)
Fuj.Smith&Turner	Mar	7,420	(6,745)	19.7	(17.5)	4.45	(3.6)
Gateway	Apr	214,700	(185,800)	17.7	(15.2)	9.5	(8.5)
Geevor	Mar	10	(976 L)	1.27	(-)		
Greene King	Apr	19,200	(15,865)	32.7	(26.2)	8.7	(7.45)
Hogg Robinson	Mar	5,000	(11,040)	4.28	(12.0)	4.7	(4.5)
Hollas Group	Mar	3,030	(2,470)	8.6	(5.8)	3.1	(2.9)
Inv Trust Jersey	Dec	403	(21)	0.6	(-)		
Israel Jack L	Mar	1,850	(1,500)	1.58	(1.17)	0.7	(0.6)
Ivory & Sime	Apr	2,680	(3,100)	6.21	(6.34)	5.75	(5.75)
Lees John J	Mar	410	(485)	5.68	(6.24)	2.0	(1.87)
Llefer	Mar	1,630	(3,110)	9.31	(15.7)	4.0	(4.0)
Nobo Group	Apr	2,900	(2,640)	17.2	(17.1)	6.6	(5.28)
Office & Elec.	Dec	1,840	(4,020)	-	(-)	-	(-)
Pathfinders	Mar	503	(426)	1.37	(1.14)	0.7	(0.29)
Peel Holdings	Mar	20,160	(10,270)	17.6	(28.7)	10.0	(5.25)
Pepe	Mar	12,760	(8,395)	31.9	(22.8)	6.0	(4.5)
Reed Executive	Mar	9,050	(10,540)	10.9	(12.6)	2.0	(2.0)
Ross Catherall	Mar	7,300	(5,710)	12.0	(9.5)	-	(-)
Rowe Evans	Dec	3,640	(1,920)	4.76	(2.37)	2.0	(1.5)
Scott Pickford	Mar	71	(282)	0.77	(2.71)	0.375	(-)
Scottish & New.	Apr	138,200	(113,279)	23.4	(20.3)	10.83	(9.14)
Security Arch.	Mar	922	(217)	11.0	(10.2)	5.0	(2.4)
Shelton Martin	Mar	419	(431)	5.48	(6.15)	2.5	(2.0)
SI Group	Dec	896 L	(328 L)	-	(-)	-	(-)
Sims Food	Mar	6,050	(2,110)	19.4	(14.4)	8.6	(6.9)
Stirling Group	Mar	2,740	(4,000)	4.7	(7.09)	1.35	(1.35)
Syltone	Mar	2,090	(1,560)	32.6	(26.4)	13.5	(11.5)
Textured Jersey	Apr	970	(1,330)	16.3	(22.2)	7.0	(7.0)
3i	Mar●	232,000	(133,000)	-	(-)	-	(-)
Toothill RW	Mar	73	(253)	6.94	(22.8)	6.3	(8.99)
UMECO	Mar	641	(522)	-	(-)	-	(-)
Walker & Staff	Mar	436	(350)	12.1	(9.7)	3.0	(2.5)
Wiggins Group	Mar	7,750	(4,510)	39.4	(23.8)	9.0	(6.5)
Wood Graham	Mar	1,150	(555)	31.9	(18.4)	1.24	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Beckenham Group	Apr	1,300	(517)	1.5	(1.0)
Berisford Int'l	Mar	36,400	(47,200)	1.8	(1.8)
Carron Phoenix	Mar	342	(489)	1.33	(1.33)
Claremont	Mar	107 L	(43 L)	-	(-)
First National Fin.	Apr	35,080	(30,504)	4.5	(3.5)
Great Western Res	Mar	1,103	(4,800)	2.0	2.0
Greenwich Comm.	Feb	377 L	(316 L)	-	(-)
Hogg Robinson	Mar	5,000	(11,040)	2.7	2.7
Ind.Credit Corp	Apr	2,520	(1,930)	3.0	(-)
Newman Tonks	Apr	9,010	(7,190)	3.8	(3.49)
Owners Abroad	Apr	7,830 L	(5,930 L)	0.7	(0.6)
Southern Business	Mar	4,210	(2,850)	2.88	(2.21)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.† this years figures for 14 months.‡ last years figures for 15 months.§ This years figures for 15 months.● Figures after tax

RIGHTS ISSUES

Pepe is to raise £9.3m via a one-for-eight rights issue at 325p.
Aberfoyle Holdings is to raise £1.07m via one-for-eleven rights issue at 30p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

City & Westminster Financial is to obtian an USM quote via the reverse takeover of A&M, new shares are being offered to A&M shareholders on an eight-for-seven basis.
UMECO is to join the USM via a placing of 2.61m shares at 95p.
Westminster Scaffolding is to join the USM through a placing of 2.67m shares at shares at 109p.

هكذا في الأصل

هكذا من الاجل

NATWEST CROWN RESERVE

A SAVINGS ACCOUNT OF EXCEPTIONALLY

HIGH INTEREST

Centre court in full swing is hardly the place to contemplate money matters (We'll be the first to admit that.)

But NatWest's new Crown Reserve certainly merits your earliest attention

That's because it's a genuinely high interest savings account.

It's been designed for people with a sizeable sum to invest. People who demand highly competitive interest rates, and security for the future.

£2,000 – £9,999	9·75%
£10,000 – £24,999	10·25%
£25,000+	10·50%
Minimum balance £2,000	

Interest rates are net and may vary.

You'll also be pleased to hear that Crown Reserve interest is paid quarterly. Far more convenient than the biannual or even annual additions some building societies come up with. Not only that, we've decided to build in far greater ease of access than you'd usually expect.

With the standard three months' notice, you can take out any sum of money – without loss of interest.

If you cannot give the required notice, there is a modest interest reduction of only 25p per £100 for each month for which notice is not given.

Better still, it gives you the unique option of withdrawing up to £250 in any month – without any notice at all, or any interest penalty.

When it comes to deposits, you can make them at any branch of NatWest. Or transfer funds by simply phoning or writing to your own branch.

Altogether, it's a package which assures you a handsome return on your investment. Without putting your money out of reach if you need it.

So do spare Crown Reserve a moment's consideration. Dare we say – it may well prove to your advantage.

NatWest Savings

THE ACTION BANK

Opening a Crown Reserve Account is subject to status and conditions. Rates may vary but are correct at time of going to press. NatWest Bank PLC, 41 Lothbury, London EC2P 2BP.

Sara Webb on how financial institutions vie for student custom

Free — and so very easy

JONATHAN Scrounger is starting a degree in maths at university this autumn. He has noticed that many of the banks and building societies are falling over each other in an attempt to relieve him of his grant cheque. So, he decides to *see how much money he can squeeze out of them.*

Jonathan and his younger siblings — like many young people — believe that fidelity in banking is a thing of the past and that they are perfectly free to chop and change between the various accounts according to the inducements on offer. They are more interested in the range of free gifts handed out by the banks and building societies to their student customers since the actual services provided tend to be rather similar in terms of chequebooks, plastic cards and free banking for students in credit. The main differences arise in the size and terms of overdrafts available.

Jonathan persuades Hughie, his obnoxious 14-year-old brother, and Penny, his 16-year-old sister who is about to leave school and start a nursing course, to provide assistance in compiling the maximum number of free gifts and benefits. They reckon that, by using the system, they can obtain between them £40 in cash plus £88 worth in various vouchers, a Eurocheque card, £450 in interest-free loans which can be reinvested in a more lucrative vehicle, one camera pack, two personal organisers, wallet, electronic organiser, watch, personal stereo, careers booklet, 10 per cent discount on European rail travel, and 50 per cent discount on six LP cassettes.

First, Jonathan shows his grant letter to Lloyds to open a bank account. There is no need to deposit any money. He applies for an Access card and gets a £250 credit limit, plus vouchers for a £15 Young Persons Railcard which entitles him to discounts on rail travel in the UK. There is an offer of commission-free travellers cheques plus a free Eurocheque card (he saves £5) which might prove useful for his holiday plans.

As Lloyds allows students to borrow up to £200 interest-free, Jonathan takes out the full whack and puts most of it on deposit with a National Savings Investment Account which pays interest at 10.75 per cent. As a non-earner, Jonathan does not have to pay income tax and the 10.75 per cent is well above the banks and building societies.

Then he puts £30 in Abbey National, which gives him a free electronic personal organiser: this has a databank memory for storing telephone numbers and addresses as well as a clock, memo functions and calculator — very useful for working out how much his banking gifts add up to. As Abbey pays interest of only 5 per cent, Jonathan moves his money out pretty quickly and uses it to open a TSB account where he gets more travel discounts (10 per cent on certain rail routes in Europe and a Youth Hostel Association membership).

Finally, he takes his grant cheque to Barclays because it has wised-up to the racket and stamps the back of your grant letter to say you have opened an account. (However, Jonathan knows he can now get his parents to make a contribution — which he pays back promptly, of course — in order to assist in opening further bank accounts). Barclays thanks him for his custom with a £30 voucher for Next and a free Next directory (allowing him to stock up with a new pair of shoes and assorted ties) as well as a choice of free sports holdall or personal stereo when Jonathan applies for a Barclaycard.

His school-leaver sister meanwhile opens a separate account and chooses a £6 voucher to buy any cassette, CD, video or LP at Woolworths instead of the personal organiser.

The Scroungers next turn their attention to National Westminster, which claims to have 43 per cent of the student market, and Midland. Jonathan is offered a cash gift of £20 by each of them and promptly adds the £40 to his National Savings Investment Account. Hughie decides *to put £15 into* Midland's Number One account in order to acquire a free camera, free roll of film and four processing vouchers (he could have chosen the leisure pack, consisting of bag and T-shirt, but has plenty of these already). His sister receives a personal organiser while Jonathan gets a free coachcard (on top of the £20 in cash) and decides to take the £250 interest-free overdraft to add to his ever-increasing deposit.

The youngest Scrounger then opens an account with the Halifax Building Society in order to obtain a free watch and careers guide, later transferring the money into a National & Provincial Building Society Buzz account so that he can qualify for a 50 per cent discount on six cassettes, which Hughie calculates could save him about £15. Content with their assorted goodies, the Scroungers sit back and make their holiday plans.

What youngsters can get from the banks and building societies

BARCLAYS
☐ *School-leavers get free* Filofax (with guide to banking services) or £6 Woolworths music voucher with interest -bearing current accounts. No transaction charges.
☐ Students receive £30 voucher (and free directory) for Next or £15 in cash, and interest-free overdraft for first six weeks of term. Thereafter, overdrafts have interest charged at 1 per cent over base rate.
No transaction charges, interest on current account balances. Connect card (cheque, cash withdrawal card).
Barclaycard applicants receive a free sports holdall or personal stereo.

LLOYDS
☐ The 16/18-year-olds get cheque book, personal organiser, money management file if £20 is put in.
☐ Students can get interest-free overdraft of up to £200; interest paid at 6.5 per cent net on current account in credit; cheque and cashpoint card; and free banking whether in credit or overdrawn.
There is commission-free currency exchange and £/$ travellers cheques; American Express travel guide; and a free Eurocheque card (worth £5). *No need to put in a set amount first.* Applicants for Access card get a £15 Young Persons Railcard.

MIDLAND
☐ Number One account for 11/15-year-olds: free project file, pen, pad. With more than £15 deposited, you get either a leisure pack (bag and T-shirt) or photo pack (camera, one roll of film and four processing vouchers).
☐ Live cash account for 14/20-year-olds: cashpoint card, and free personal organiser and wallet. Minimum deposit is £10. Pays interest.
☐ Students get £20 in cash when they pay in their grant cheque or parental contribution; commission-free banking; interest of 7.83 per cent net; a £250 interest-free overdraft (this has to be agreed in advance); free *student coach card worth £4.25;* and commission-free foreign currency and £/$ travellers cheques.
Midland offers a student insurance package which costs £45 and covers personal possessions, personal accident, damage to property and personal liability.

NATIONAL WESTMINSTER
☐ A £20 cash gift; interest of 6 per cent on current account; overdraft of up to £300 at 1 per cent above the base rate; no account charges; and Servicecard (combined cheque, cash withdrawal and Switch payment card).

ABBEY NATIONAL
☐ An electronic personal organiser if you put in *minimum amount of £30.* You get a cheque book, chequecard, cashcard, interest of 5 per cent. No transaction charges or fixed fees, even with an approved overdraft.

HALIFAX
☐ The 12/16-year-olds get a free watch if they put more than £10 in a Quest account, and receive a booklet providing careers information on reaching 16.
☐ Students receive a free booklet on making the most of student life (grants, budgeting).

NATIONAL & PROVINCIAL
☐ Buzz account for teenagers at school provides a cashcard, current account with interest paid at between *5-6 per cent, and 50 per cent* discount on up to six cassettes.

TSB
☐ Offers either "Save" or "Spend" accounts with cheque card, Visa card and cashcard.
The "Save" account is interest-bearing (about 5.5 per cent). No automatic overdraft.
The "Spend" account has no interest on credit but an overdraft of up to £200 at base rate plus 2 per cent. Automatic membership of YHA and handbook (worth £7.75). Ten per cent discount on Route 26 rail travel. No transaction charges if in credit. But evidence is needed that you are a student.

S. W.

Offsetting tax losses

FROM THE next tax year, we will have independent taxation for married couples. I have capital gains tax losses brought forward from previous years from investments which were mostly in my name. Under the rules for the next tax year, can I nominate those losses to be shared equally between my wife and myself, or do I have to use them in the proportion of the ownership in which they arose?

■ The CGT law has always required a wife's chargeable gains and allowable losses to be calculated separately from her husband's. Originally, one spouse's excess allowable losses could be set only against the other's chargeable gains for the year in which the excess losses accrued (and not against chargeable gains accruing to the other spouse in subsequent years), but this rule was repealed (with retrospective effect) by the Finance Act of 1967.

You will, therefore, have to analyse the unused allowable losses which have accrued to each of you. *The only element* of choice still open to you is that either of you may (before July 6) give notice to your tax inspector that your own excess allowable losses which accrued in 1988-89 are not to be set against your spouse's gains. This right to deny one's spouse the benefit of one's excess allowable losses accruing in any particular year has existed from the outset, and it is now to be found in the proviso to sub-section 2 of section 4 of the Capital Gains Tax Act 1989.

If you want to check the detailed rules for offsetting losses between spouses, you will find the legislation in a local reference library in, for example, *Simon's Taxes* (10 green volumes, updated monthly) or the *British Tax Encyclopedia* (six blue volumes, updated less often than Simon). Both these works included the original text of the Finance Bill, as published on April 13 — since when, as usual, it has been amended substantially by the Government. Further amendments are promised in Standing Committee G (which met on June 6 and reports in July).

Damages too low?

MY SON, now aged 29, suffered quite severe leg and internal injuries five years ago in a traffic accident.

Without detailing the medical records, he initially spent some 10½ months in hospital and has had further spells for operations totalling some three months, the last in-patient visit being last month.

Liability was never in question, merely the size of compensation.

The defendant's insurers appear about ready to settle with our legal representatives at around £175,000. We have discussed in great detail with our legal representatives the basis of the claim, but still have the gut feeling that the figure is too low.

■ We think that you would be wise to be guided by your legal advisers. They are aware of the full details of your son's position, as to which we cannot be informed fully. You could ask for advice from counsel other than the person who has advised so far, if you are willing to pay an extra fee for that. The courts are beginning to take a firm line with plaintiffs who delay the action in order to increase the award of damages, so the course you indicate could well be counter-productive.

Sara Webb looks at a new way to pay for medical insurance

Put your trust in health care

A UNIT TRUST that is used to pay private medical insurance premiums is the latest idea from Kleinwort Benson with the launch of its Kleinwort-PPP income fund last week. The idea is that investors put a lump sum into a new income unit trust and the monthly income generated from the investment is then used to pay directly the premiums for a Private Patients Plan (PPP) family or retirement health scheme.

The amount you put into the fund depends on the type of medical insurance plan chosen and your age, which affects the cost. But you get the benefit of specially negotiated premium rates that would normally be available only through large company schemes.

David Glasgow, the managing director of Kleinwort Benson Unit Trusts, says that the increase in the capital value of the units over the years should produce a net income that will rise at a faster rate than the cost of medical insurance premiums. However, the statutory warning note is that the price of the underlying units can fall instead of rise. So, the monthly income could drop below the level necessary to match the monthly premiums for the medical insurance, especially as these tend to rise as you get older.

The company admits it "cannot guarantee that it will manage the trust in order to meet the need," which is why it advises investors to put extra money into accumulation units as a reserve which could help them to make up for any shortfall in the monthly income.

There is no requirement for people taking part in the scheme to have a medical examination or provide any medical records. However it is worth looking out for the benefits actually provided by PPP, since the small print often contains exclusions and restrictions that you discover only when you make a claim.

If you don't want the medical insurance, you can use the new unit trust simply as a savings scheme or to provide a monthly income. In that case, the miniumum investment is a hefty £5,000. The estimated gross yield of 4.5 per cent a year means that you need to invest quite a large sum to produce a worthwhile monthly income.

David Glasgow: confident

The initial charge is 5.5 per cent, the annual management fee 1.25 per cent, and the units are priced at 10p during the *initial launch period* until July 21.

Paying medical insurance premiums indirectly via an investment vehicle seems a strange mixture aimed at selling two entirely different products. The big plus is that you get the advantage of lower insurance premiums, negotiated specially by Kleinwort with PPP. On the other hand, you have to pay a large lump sum in advance to ensure that the unit trust generates sufficient income, and the payment of the monthly premiums restricts the growth in value of the savings fund.

Pensions/Eric Short

Tax-free cash threat

LIFE INSURANCE companies have discovered yet another "buy-while-stocks-last" reason for employees taking out personal pensions. This latest gimmick relates to the technical changes included in this year's Finance Bill relating to the tax-free cash sum available from personal pensions.

Under the existing rules, an employee cannot take any cash sum from a protected-rights, rebate-only personal pension used solely to contract-out of the State Earnings-Related Pensions Schemes (Serps). But if the employee also has a top-up personal pension, from which he can take a cash sum, then the value of the rebate-only personal pension is aggregated with the value of the *top-up pension in determining* the 25 per cent maximum which can be taken as cash.

Consider the following example:

☐ Value of rebate-only personal pension = £15,000.

☐ Value of top-up personal pension = £ 5,000.

☐ Aggregate value of both contracts = £20,000.

☐ Maximum cash sum = 25% of £20,000 = £ 5,000.

Thus, in this example the whole of the top-up personal pension can be taken as a tax-free cash sum.

This anomaly is being removed in the present Finance Bill, which will come into force when it receives Royal assent at the end of this month. The Bill provides that the 25 per cent maximum cash sum will relate only to the value of the top-up personal pension. The rebate-only element will not be taken into account. So, the message from the life companies is to take out a personal pension before the Bill becomes law.

However there is another technicality to bear in mind. Will it be enough just to take out a rebate-only personal pension, or do you need also to take out a top-up personal pension, if only for the minimum contribution at this stage?

And what is the situation of the 3m or so employees who have already taken out rebate-only personal pensions during the first 12 months that personal pensions have been available?

Apparently, it depends on the method adopted by life companies in setting up their personal pension contracts.

If both rebate-only and top-up personal pensions are written within one contract, then those companies claim that it is sufficient just to have a contract set up, even if it is just for a rebate-only benefit contracted-out of Serps.

But if the company issues *separate contracts for rebate*-only and top-up personal pensions, then the employee must take out a top-up personal pension as well as a rebate-only contract before the Finance Bill gets that Royal assent.

Instalment date change

I PAY RATES by instalments and my latest demand says the instalment date has been set earlier than last year. This is to provide the earliest possible instalment date so as to maximise cash flow and reduce the council's costs. It also asks for 10 consecutive payments to be paid on the first of the month. Can I alter the date myself by, say, up to 14 days or longer without penalty?

■ If you, in fact, altered the dates within the time scale you envisage, you would *de facto* achieve the result you require. The council will not take any effective steps over late payments which are as little as two weeks in arrears.

A matter for experts

AS A LANDLORD, I will shortly be meeting the local rent assessment panel to contest the decision of the rent officer on a "fair rent" for an existing tenant who commenced the tenancy in 1965.

All the circumstances are the same as when last registered in 1975.

Would you know how valuers update rents? I feel that their "yardstick" will be the RPI compounded each year.

■ It is a question for expert valuation to assess the proper market rent for a property, not just a matter of taking an historic rent and multiplying by some factor intended to represent inflation; thus, application of the retail prices index is not appropriate. The criterion is what a willing lessee would pay in the open market (to assess market rent) less whatever discount (if any) might be attributable to scarcity value.

PEPs and the taxman

I UNDERSTAND that neither income nor capital gains arising from PEPS need be reported to the Revenue. As one who is on the borderline as far as total income for age allowance purposes is concerned, can I assume that income from PEPS is exempted from the calculation of total income when claiming age allowance (ie, should I invest the maximum allowed in PEPS?

■ While we cannot give investment advice (in view of the Financial Services Act 1986), we can confirm that regulation 22 of the Personal Equity Plan Regulations 1986, as amended, does exclude tax-exempt PEP dividends from the calculation of total income for age allowance purposes, under section 835 (5) of the Income and Corporation Taxes Act 1988. A free pamphlet on the intricacies of the tax rules for people born before April 6, 1925, is obtainable from tax inspectors' offices: ask for pamphlet IR4A (1988), but bear in mind that it does not take the present Finance Bill into account.

DIY plan re-launched

NATIONAL Mutual Life this week re-affirmed its faith in the future of the executive pension scheme. It has relaunched its do-it-yourself arrangement, within its Harvester pension series, under the title "Self-Administered Harvester."

The £60,000 ceiling on earnings for pension tax purposes, announced in this year's Budget, should have sounded the death knell for new executive pension schemes or, at least, brought about a severe curtailment in their marketing.

The ceiling at the proposed limit has an immediate impact on the benefit levels that can be provided on an executive pension scheme. Yet, National Mutual Life reports that interest among independent financial advisers for small, self-administered pension schemes (SSAS) is still high.

The main advantage of these over personal pensions is their investment flexibility, in particular the ability for the company to take loans from the pension scheme and invest directly in property.

Indeed, many of these schemes were set up originally with the prime purpose of buying and leasing back the company's head office or main factory in a tax-efficient manner, rather than to provide pensions for executives.

In theory, one can also make this kind of investment under personal pensions. In practice, that is proving very onerous administratively.

The Superannuation Funds Office of the Inland Revenue is due to issue shortly a revised set of regulations for Small Self-Administered Schemes that are expected to curtail this investment flexibility — possibly a further reason for taking out a SSAS now.

A SSAS carries with it a considerable administrative burden, since it is technically a self-adminstered company pension scheme. It needs trustees, including a pensioner trustee approved by the Superannuation Funds Office.

It is required also to keep separate accounts with an annual audit, quite separate from the company audit; and an actuarial valuation of the scheme is required every three years.

National Mutual Life provides these services at very low rates — £175 a year for pensioner trustee services, £200 for the triennial valuation — while record-keeping and investment advice on the suitability of certain assets is provided free. Draft accounts will be prepared, on request, at a cost of £150.

Although there is complete investment freedom, most companies are concerned only with the property aspects of investment.

National Mutual Life provides a series of investment vehicles, including two new funds.

Botched bathroom

I HAVE recently bought a new package bathroom. It is now virtually complete, but has taken nearly five months to get into a reasonable condition compared with the one working week or less that the advertisement claimed it would take. In addition, the original product quality and workmanship left much to be desired and the overall management of the process was close to chaotic.

Their advertisement claimed that it was not necessary even to lift a finger, but I have had to waste much time and effort to make sure it approaches even a reasonable standard.

So far, only 10 per cent of their bill has been paid. What rights have I to compensation for their misrepresentation and all the time I have wasted? We are trying to agree on a reasonable figure but I am inclined to let them take me to court, where I would conduct my own case.

■ You can set-off against the purchase price a proper sum for the work done by you in getting the job done; but if you have accepted the fittings, and they are now functioning properly, you cannot refuse to pay the appropriate price for them. You should quantify the cost of work done by you and write to the suppliers, stating that you have had to do work at that cost and offering to pay the balance.

On the track to Japan

AFFLUENT investors wanting a "no-frills" investment vehicle for the Japanese stock market can now put their money into the Royal Life Japan Index Tracking trust, launched officially on Monday.

Four months ago, Royal Life Fund Management was the *first investment house to intro*duce the concept of index tracking into the unit trust sector, with its UK Index Tracking trust. There have been considerable developments in this area since then, with other investment houses launching their versions of tracking funds.

So far, attention has tended to concentrate on the technical aspects of index tracking in discussing the relative merits of full replication against partial replication, rather than spelling out precisely what investment in index funds means to individual investors.

It is important to remember that the basic objective of an index fund is to do what it says — track the relevant market index. Whether it tracks the chosen index precisely, as with full replication, or within 1 or 2 per cent, as with partial replication, is not particularly relevant to the private investor.

A very large underlying fund is required to achieve full indexation, so such funds tend to have a very high minimum investment; that is why Royal Life requires a minimum of £50,000. Partial replication funds can have a lower mini*mum.*

Second, the funds track only movements in the capital value of the shares in the index. The income derived from the underlying holding is used in the first place to meet management expenses, with any surplus then going to unitholders.

Thus, in the published performance tables, a tracker fund *will always show a consistent* underperformance if the relevant index includes provision for the notional reinvestment of dividends or income. Over short periods this will not be very noticeable, the difference for a UK tracking fund being some 0.5 per cent a year. Over longer periods, though, the divergence will get noticeably wider.

Third, a tracker fund is by its very nature passive, with no investment management as such. If the underlying equity market goes down, then down goes the value of the fund itself. There is no manager to take a view of the future course of the market and react accordingly. The investors themselves have to take a view and buy or sell the fund in anticipation of market movements.

This is both the strength and weakness of tracker funds — strength if the investor simply wants a fund that will invest in a particular market, and weakness where you are are looking for proper management of your investments.

Because there is no investment management, charges on such funds should be lower *than for conventional unit* trusts but, unfortunately, they are not as low as you might expect. A good tracker fund requires efficient computer systems, and the costs of maintaining these are significant.

So, what function do tracker funds fulfil in an investor's strategy? They do offer the active investor an easy and cheaper means of moving between equity markets while, for the more passive investor, they can provide the central core for a portfolio. Specialist funds can then be used for satellite holdings.

One certainty is that any investor holding tracker funds will not achieve top performance. But with more than 1,250 funds now available in the unit trust sector, picking a top-performing fund that will beat the index significantly is simply a lottery. You might equally choose one that performs very poorly. Bearing in *mind that the bulk of unit* trusts do not match the index, tracker funds can at least offer above-average performance.

The Royal Life Japan Index Tracking trust will track the Japanese index in the FT-Actuaries World Index series on a full replicated basis. Apart from the £50,000 minimum investment, there are minimum additional investments of £25,000 — and Royal Life is reducing the minimum investment on its UK tracker fund to these limits. The initial charge is 4.25 per cent, with an annual management charge of 0.4 per cent.

Eric Short

Guide to ethical funds

THERE IS already a range of ethical unit trusts catering for investors who want to avoid involvement in South Africa, armaments, alcohol, tobacco, animal experiments, nuclear *power or pollutants.* Ethical investments are also available for the much larger pensions savings sector, if you are prepared to take a little trouble with your arrangements. There are various personal pension schemes linked to ethical investment funds which are available for the self-employed and employees who are not in a company pension scheme.

Independent financial adviser Holden Meehan, based in Islington, north London, has produced *An Independent Guide to Ethical Pension Funds,* a booklet (needless to say, on re-cycled paper) which *sets out the choice of funds* available and the charging structure. You can obtain a free copy from Wells House, 80 Upper St, London N1 0NU.

* * *

EMPLOYEES already in company pension schemes usually have little or no influence over the underlying investment policy. Even when there is a strong trade union influence on the trustee board to ensure an ethical investment policy, it could well fall short of an individual's standards.

Pensions & Investment Research Consultants has linked up with Bishopgate International Investment Management to produce an ethical fund that tracks the FT-Actuaries All Share index. For pension funds investing at least £10m, this tracker fund can extend the ethics to environmental issues and tobacco.

If the fund's investment management will not adopt ethical principles and individual members feel strongly on this subject, they can exercise their right to leave the company scheme and take a personal pension. Such a step needs to be considered carefully, however, since few employers are prepared to contribute to an employee's personal pension. In fact, employees can now ensure that any additional voluntary contribution (AVC) payments go into an ethical fund by taking a free-standing AVC with a life company or unit trust group that has an underlying ethical fund (if the in-house AVC does not provide such a fund).

Friends' Provident Life Office, the pioneer of ethical investment in the UK, has now linked its Stewardship fund to its new AVC plan, both for *in-house company and free*-standing AVCs.

Banks not so SWIFT

HOW CAN I send money overseas quickly - in a matter of hours?

I have had sons stranded in Corsica and in Madrid, and have asked my bank to remit money by the fastest available method. In each case, the money took over a week to reach named banks selected by my sons, using a system laughingly called SWIFT by the banks. There were no strikes or other irregular causes of delay in either case.

■ It should not take anything like so long to send money to banks in reasonably accessible places abroad. Orders to pay up to a specified amount can be made by telephone or facsimile machine. You should take up with your bank the inadequacy of the method actually used.

MINDING YOUR OWN BUSINESS

James Buxton meets a former submarine commander turned printer and a couple who opted to run a hotel in the Scottish Highlands

Opting out of the rat race

EAST Lodge Hotel is 11 miles up a single-track road in Strathconon, Ross and Cromarty. The road winds through woods and along a couple of lochs until the glen opens out into superb Highland scenery. A salmon river sparkles in the sun a few yards down from the hotel and Sgurr a'Mhuilin (2,845 ft) dominates the western skyline.

It is not surprising that Ian Hunter, 36, who runs the hotel with wife Rachel, says he fell in love with the place at first sight. But almost everything else suggests that while they are succeeding in their dream of escaping the rat-race, to run a remote hotel in the country, this is not a commitment that you should take on lightly.

Until 1986, the Hunters lived in Tunbridge Wells, Kent. Ian commuted to London each day on the 6.50 and handled bulk furniture sales at a department store. Almost classically, it dawned on him that there should be more to life than this fairly humdrum existence.

Rachel was frustrated in her work as a health visitor. They had no children and realised that their four-bedroom house was a big asset that should be put to use. With a partner they made two unsuccessful attempts to buy hotels in the West Country, then heard of East Lodge through an agent. A deal was quickly done, they sold their home and drove up to Strathconon late one wet and windy evening in November 1986.

East Lodge is a fair-sized house which had been converted into a hotel five years before. It has 11 bedrooms, a lounge, a dining room and two bars. There are also five prefabricated chalets on the 20-acre property. But the occupancy rate for the bedrooms was low – only about 20 per cent – and the hotel had been on the market for two years.

The challenge for the Hunters was to restore the place to viability. No less important, they had to adapt to Highland life with its remoteness and long dark winters, and integrate into the population of about 200 who live along the glen and for whom the hotel's bar is the only community centre. The most important lesson they have learned is that running a small hotel means being committed to unending hours of work.

Their partner, unwilling, Ian says, to do 18-hour days, threw in the towel after six weeks and had to be bought out. The Hunters and a local girl do all the work between them, except in dire emergencies, with Ian responsible for the bar, Rachel for the cooking and all three pitching in to do the other jobs, from making the beds to sweeping the floor.

"We knew it wasn't going to be a holiday but it was still harder than I'd anticipated," says Ian. Nor does the work stop in winter: the hotel stays open all year round, for the bar and a trickle of guests. Ian uses the winter to redecorate, repair and reconstruct the property, even doing his own plumbing, rarely using outside labour and only once a craftsman.

The Hunters have not had a holiday since they came ("but where would I want to go?") and Ian has only made one trip to London, which he did in the day. Being prepared to work very long hours, and thus avoid a big wage bill, was major part of restoring the hotel to viability. The other part of the strategy was raising standards. With Ian's relentless redecoration every bit of the hotel is now as bright as a new pin.

Rachel has improved the meals in the dining room and those served in the bar. The reward came this year when the Scottish Tourist Board, which operates a classification scheme that includes incognito inspections, raised East Lodge from one to three crowns (the maximum is five) and also gave it a commendation.

The hotel is in the Michelin guide with a symbol in red indicating its peaceful location. Ian has found that the local Ross and Cromarty tourist board's guidebook has been the best source of guests, backed increasingly by word of mouth recommendations. The Hunters financed the hotel mainly from their own capital, plus a small mortgage. They have not sought the loans or grants from the Highlands and Islands Development Board.

After their first winter, in which the overdraft soared alarmingly, they have managed to keep borrowing down so that the current overdraft is only about £15,000 and will be temporarily cleared by the end of July or August. Turnover is now running at about £100,000 a year. The five chalets are a useful underpinning for the business, fully booked for the summer months and each virtually guaranteeing two sets of evening meals a week for 4-5 people in the restaurant.

Room occupancy has gone up to about 45 per cent, below what the Hunters would like, though the average stay has gone up from one to 3-4 nights. They are holding prices down to attract business: they charge £19 per person for bed and breakfast. Most guests eat their evening meal early and make room for a useful second sitting of people from outside.

After a somewhat uncertain first season in 1987 East Lodge had a good year in 1988 and expects a better one this year. But the Hunters don't feel it is reaching its full potential: the public rooms are larger than is justified by the number of bedrooms (one bar is unused). However, until room occupancy goes up, the Hunters are not thinking of building extra bedrooms though they might add one or two bungalows which, unlike chalets, can be occupied in winter.

In spite of their inexperience the Hunters appear to have had little difficulty adapting to hotel management. "Of course we made mistakes in the early days: keeping people waiting for food, for example. But you learn very quickly." While typical of people from England's south east of England they believe they have blended into the community. "You've got to be part of the community, but you mustn't force yourself on local people." In the end, the bar has to become your only social life.

The Hunters can call at very short notice for help in the hotel from neighbours and, when the bar reaches closing time, they're likely to be asked to continue drinking in someone's home down the glen. But if, in spite of the work, that still sounds an appealing way of life, Ian sound a cautionary note. "There seems to be a high divorce rate among southerners who come up here to run businesses. And I've seen hotels that are on their second ownership since we've been here."

Iain Hunter and his wife, Rachel, outside East Lodge Hotel, Strathconon

Tim Honnor in his workshop

An ex-Naval man with his very own press gang

PEOPLE ATTENDING the current round of Queen's Birthday parties at embassies around the world might be intrigued to know that at least some of the embossed invitation cards were printed at a little plant surrounded by green fields, roe deer and woods outside Inverness in the Highlands.

Piccolo Press is a business started up by Commander Tim Honnor, a former submarine commander who noticed when he took his submarine into foreign ports that local printers were often unable to supply embassies with stationery of the quality they required. Instead they were shipping in invitation cards and personal writing paper from expensive West End stationers.

Printing was Honnor's lifelong hobby and while still in the navy, working at the Ministry of Defence, he obtained a contract to do a job for the embassy in Moscow through a friend who was a naval attache there. He printed it on the little Adana printing press in his attic. A few more orders followed and Honnor realised that his network of naval contacts at embassies could be a good foundation for a business.

He started Piccolo Press when he retired from the navy in 1983 at the age of 43 despite, he says, "the standard navy advice not to pursue your hobby when you retire." Initially Piccolo Press was in Dartmouth and Honnor did a year's printing diploma in Exeter.

The move to the Highlands came in 1986. "I'd tested the market and the diplomatic business was going quite well," he says. "We needed to move from Dartmouth anyway and as my wife comes from Inverness we decided to go there. If I could make it work in Dartmouth I reckoned I could make it work in Scotland." The Honnors built a house on land belonging to the family of his wife Janet and put up a 900 sq ft workshop alongside.

Piccolo Press specialises in high quality stationery – embossed and raised invitations and smart writing paper, for example. That means using letter press equipment and the business has two Heidelberg presses bought second hand, and a couple of offset presses, while the Adana is still sometimes used. Honnor employs two printers whom he took on and trained from the Youth Training Scheme, and recently employed a secretary.

The move to Scotland took the business into a lower cost environment and opened up the possibility of finance from the Highlands and Islands development Board, though Honnor says this was not a factor in his going there. The HIDB gave Piccolo Press grants and loans totalling about £16,000 to cover half the purchase of one press and extending the workshop. The business has invested about £30,000 in equipment. Royal Bank of Scotland provides loans and overdrafts now equal to about half this year's expected turnover of £80,000, after Honnor's former bank, Lloyds, refused backing.

Piccolo is the kind of low bulk, high value operation well suited to the Highlands, but Honnor says that initially he had to overcome "mental problems in the south about Inverness – it seemed to them like another planet. But when people find they can ring up in the afternoon and get a sample on their desk by post first thing next morning they realise it's not so remote."

The embassy contracts, for places like Bonn, Amman, Peking and Baghdad, are delivered to the diplomatic bag for delivery within three weeks. Piccolo does all the stationery for Jesus College, Oxford and has a growing clientele in the south of England as well as in the Inverness area.

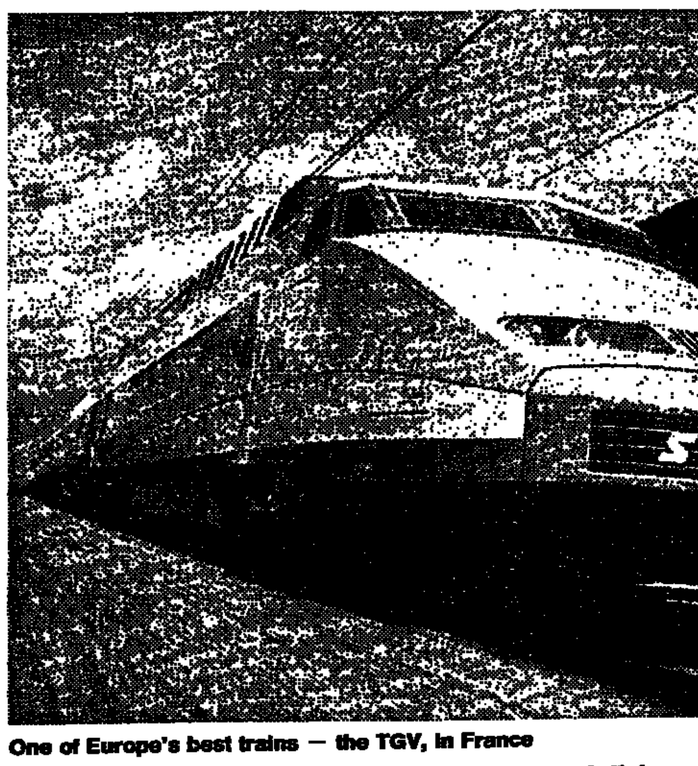
Initially, he admits, he pitched prices rather too low. But the business is now doing well, he says, though the heavy borrowing at a time of high interest rates is a burden. The press is running near full capacity.

A problem could arise if Piccolo were to get substantially more custom, which appears quite possible as it becomes better known. "I don't think I want to get much bigger," says Honnor, who personally vets every order before it goes out. "If we did get bigger we'd have to move to an industrial estate in Inverness which would cost much more and I'd no longer be working at home in the country."

TRAVEL

Coming soon: The Great Railway Age

Should you decide to circumnavigate France why not let the train take the strain?



One of Europe's best trains — the TGV, in France

WHEN I was a child there was a Good Train and a Bad Train. The Good Train took us home from school for the holidays. It was the happiest train I ever knew. The carriages were decorated in gold and midnight blue and furnished with 18th century Dutch satinwood and tulip-wood furniture. We lolled on satin cushions. The pictures were pretty: harem scenes by Fabbi, or voluptuous Italian beauties by Charles Zacharie Landelle. The food was stupendous. There was a magician with a dog, which barked and disappeared. Money was handed out. Even the smallest boys were permitted to dance and play poker.

The Bad Train took us back to school when the holidays were over. It was the most wretched train I ever knew, without seats or windows. The food made us retch. Our letters were opened, our cheque books confiscated. The matron, Miss Hardbody, would slap our faces and tell us: "For two pins I'd throw you off the train. *Who* do you think you are? Mr Hoity-Toity?" We cried for our mothers. But they never heard: they had all gone racing.

With a childhood like that, you would think I was deeply scarred. But not a bit of it. I even quite like trains, particularly French trains, as I discovered recently when joining a small tour party on the Great France Express – part of an ambitious, efficient and luxurious programme of train journeys in Britain and on the continent organised by a company called The Great Britain and Europe Express, in which tour operator Abercrombie & Kent owns a stake.

The current programme covers train journeys in England and Scotland (six days), Wales (five days), France (11, seven and six days), Germany (eight days), Spain (eight days) and Switzerland (seven days). Next year the programme will be extended to Italy, Scandinavia and Austria – sure proof that the fast-growing market in luxury travel is really on the move, and another sign that train travel is set for a major come-back.

At a *Financial Times* conference on world rail two months ago, Stanley Clinton Davis, the former European Commissioner for Transport, said that European transport ministers had been guilty of "incredible dereliction of duty" as regards railways – a myopic approach, he maintained, because the 21st century was likely to be the new age of rail.

According to David Rogers, managing director of The Great Britain and Europe Express: "In devising this new

THE
AGONY
AND THE
ECSTASY

Travels with
Michael Thompson-Noel

programme, we have had several objectives: to enable visitors to Europe from far away to see a great deal of a chosen country in a relatively short time; to allow those people who would like to be accompanied by a guide to do so without being subjected to the indignities of an escorted motorcoach tour; and to provide a quality of service more akin to that of a bygone age – hence the travelling bell boy."

The travelling bell boy is said to be a unique concept. He is an important feature of the whole programme because he is responsible for your luggage throughout the journey, from the moment you check in (in my case, at the Gare de Lyon), and conveys your luggage from hotel to hotel, unheard and unseen.

This means that you leave your suitcases in your room when you depart each hotel, and find them awaiting you in your room at the next overnight stop. It certainly beats hauling them around yourself, rupturing you know not what, and contributes to the gracious tone that characterises the whole trip.

Other things help. You travel in reserved first-class seats on some of Europe's best trains (for the French trip, much of your travelling is done on the high-speed TGV). A motor coach waits at each destination to transfer you to your hotel or take you sightseeing. You stay in excellent hotels – the Palace in Lucerne, the Imperator in Nîmes, the Alfonso XIII in Seville, etc. The itinerary is expertly planned and beautifully well-balanced. You are given an intelligent and knowledgeable guide – in our case a youthful ex-Foreign Office type, Anthony Bay, who displayed extraordinary patience, expertise and charm. And there is an agreeable amount of free time.

As the brochure explains, the programme is for those who "value the companionship of a party of congenial fellow-travellers while retaining a good measure of independence; for those who are keen to learn about the history and culture of their destinations from an expert guide, yet who want the freedom to explore on their own." And so it turned out.

We were an impressive little group: four travelling journalists from suitably up-market publications (excepting, I suppose, the *Observer*), a PR gal, guide Anthony Bay, bell boy Miguel Yanez and eight (appropriately well-heeled) paying customers, charming people all: two from Toronto, four from California and two from Inverness.

We were certainly shown the sights. The full route for the 11-day Great France Express goes like this: Paris-Dijon-Avignon-Aix-Nice-Monte Carlo-Arles-Les Baux-Nîmes-Carcassonne-Cahors-Rocamadour-Dordogne Valley-Bordeaux-Medoc-Tours-Loire Valley-Blois-Paris, though I bailed out at Nîmes. If you cannot spare 11 days, you can take a six-day tour of eastern France or a seven-day tour of western France, joining or leaving at Nîmes.

I slept well in Paris, dined excellently in Dijon, enjoyed my stroll round Avignon, caught flu in Aix-en-Provence, swam in the hotel pool in Nice, won modestly at roulette in Monte (my system was misfiring: they were spared a run on the bank), traipsed happily round Arles and was charmed and impressed by the grandeur of Nîmes.

Above all, I enjoyed the train. Like a snake in a basket, I gradually warmed up as the train sped south, so that by the time I reached Avignon I was struck by a big idea: possibly quite banal, but still a big idea. It struck, in the beautiful calm of evening, while I was walking towards Pont d'Avignon.

I noticed a stonemason's yard, where huge blocks of stone were being cut and shaped for rebuilding the old city walls. Of course the purists shudder at callous restoration. But 1,000 years from now, Avignon will still *be* Avignon, or as near as makes no difference, just as Paris will still be Paris and Venice will still be Venice – unless a giant asteroid strikes or we all disappear, giggling as we go, into a kink in time-space. A millennium from now it will all be academic: who *cares* what Avignon looks like in 2990?

Later that evening, still in Avignon, I read an article that struck the same chord, concerning truffles – black truffles, *Tuber melanosporum*, the black diamonds of *haute cuisine* – whose harvests have plummeted since earlier this century. The decline is thought to be a result of the loss of the stands of oak in which the famous fungus tends to grow. (By ancestry, *Tuber melanosporum* belongs with other fungi as humdrum as chestnut blight and penicillin mould).

According to this article, a French company is now marketing an artificial truffle oil that replicates the aroma of the fungus, while in a parallel development two Californian entrepreneurs are cultivating miniature truffles indoors.

Thierry Talou, a chemical research engineer at the agro-resources chemistry department of the National Polytechnic Institute in Toulouse, says that French chefs have assured him that the truffle oil is a "perfect imitation of the famous black truffle aroma." In California, Moshe Shifrine, a retired immunologist, is growing truffles indoors, and is now harvesting roughly 60 lbs per week. His fungi are tiny compared with the real thing, so he sells truffle oil, paste, powder and juice but, as yet, no fresh truffles.

In short, I am coming to the view that things are not disintegrating around us quite as we suppose. They are rebuilding Avignon. Soon they will be selling truffle paste at Tesco's. In the 21st century we will be colonising the moon – but also enjoying a golden age of rail travel down here on Earth. Life goes on.

The cost per person (double occupancy) of the 11-day itinerary on the Great France Express is £1,659. For a Rail Pass holder it is £1,498. The single supplement is £265. The price of the 11-day trip includes five lunches, eight dinners, wine tastings in Burgundy and Bordeaux, and wine with dinner on six evenings. The remaining departures (from Paris) in 1989 are on July 25, September 5 and September 26. The six-day (eastern France) trip costs £1,219 per person, the seven-day (western France) trip £1,122.

Abercrombie & Kent is at Sloane Square House, Holbein Place, London SW1W 8NS. Reservations: tel: 01-730-9600, brochure despatch: 01-730-7795.

Part of my reading included Peter Mayle's excellent and newly-published *A Year in Provence*, Hamish Hamilton, £12.95.

Drawing by James Ferguson

The merest relics of Empire

Michael Wigan finds that even Darjeeling's tea crop is ailing

SEEKERS OF the old Raj lifestyle need no longer brave the hazardous three-hour hairpin drive to the lofty eyrie of Darjeeling. All that is left are the green and white turbans of the waiters in the once famous hilltop Windamere Hotel. Gone are the open fires in every bedroom, never to be rekindled. A sexagonal red post box salutes the past on the hotel's verandah, which looks eastward over the panorama of the eastern Himalayan foothills.

The contemporary reality is a sitting room like a rest home in Bournemouth, a sporadic power supply trimmed so low that the bars of the heater barely glow, and a dining room so cold you sit in a coat. Speed is the substitute for style and a four-course dinner is precipitately gulped down with the waiter hanging at your ear. The unique high-altitude golf course has gone nature's way, along with the noted botanic gardens of yesteryear, and the walkway handrails connecting Darjeeling's steep terraces hang broken in mid-air.

Darjeeling, however, has more serious things to worry about than recreational facilities and the timing of the dining room service. The angular ridges and sharp slopes of the foothills are denuded of trees. Where, in 1835, the hills were half forested, now the few stands of pines are small.

The Windamere Hotel verandah overlooks a typical view. The glinting white specks of habitations dot the far valley right up to the ridge, where a coronet of evergreens survives. Fuel burning has stripped the hillside. Brown corrugated ridges recede into the misty distance. Far higher up, and 50 miles off, rise the high Himalayas, with a coating of snow.

Forest cover in the lower Himalayas is now around 8 per cent. Landslides have become frequent. When we made the drive from Bagdogra, slowly climbing for 7,000 ft, the narrow gauge railway line which bravely follows the tortuous road had in places been swept away.

At last recognising the problems, the West Bengal Government has designated areas for forest regeneration. But the examples of this I saw were inadequately fenced and many of the evergreens were dying. In places even the young replacement trees were abbreviated stumps, sacrificed in the pitiless search for firewood.

When not gathering firewood, which is being humped long distances in all directions, people are carrying water, transporting slopping tins from the few surviving springs. When the British developed this cool resort, with its tantalising view of the world's third highest mountain, Kanchenjunga, they planned for a maximum population of 10,000.

Now, Darjeeling's melting pot – with its blend of Nepali, Tibetan, Bengali, Sikkimese and beggars from the south – is bursting with more than 100,000. Rudimentary dwellings are propped up against the gullies in a shanty town. The Government provides one school; the remainder are charitable foundations or select institutions for the wealthy. Water is so scarce that our guide reported having none from his tap for three days. In short, India's awesome and frightening population explosion is graphically illustrated in Darjeeling.

Signs of discontent and unrest are everywhere. Even the tea plantations, which gave Darjeeling a universal name, are failing. The soil is worn out, old bushes – some have clung on for more than a century – are not replaced by new ones. The crop's quality is declining. Grinding up the battered road from Bagdogra the vital supply lorries include coffee in their cargo.

The town centre clings vertiginously to the west side of the ridge. It was never designed for volume traffic and cannot take it. Every day I spent in Darjeeling there were big political protest marches at midday, calling for an independent Ghorkaland. Traffic rumbled on the spot, choking the busy market square with black fumes. Trucks festooned with surplus cargo clambered over the railway line, communicating with each other in a Morse code of honking hooters. The day I left, two decapitated communists were hauled out of a tea plantation and two more were abducted.

The people of Darjeeling are a robust, independent and quick-smiling lot. Noted for its happy mix of religions and the co-existence of Tibetan monasteries, Hindu temples and Christian churches, the most obvious object of their veneration is the Land Rover. Surely so many have never been gathered in one small place! Nearly all are of the same vintage – that great workhorse of modern locomotion, the early 1950s prototype. Some streets contain nothing but Land Rovers in varying stages of cannibalisation and reassembly. Chassis, doors and frames are being hammered, welded and screwed into new combinations. What will happen to the people of Darjeeling when these old faithfuls finally shudder to a halt is unthinkable.

Darjeeling's touristic role is as a kick-off spot for Himalayan trekking. Placed on the tip of north western Bengal, between Sikkim, Bhutan and Nepal, it is central to the issue of the dangerous environmental deterioration of that great hinterland. Of the world's mountain animal species, the Himalayas contain a third, yet it has more endangered species of mammal than anywhere in India.

Almost nothing is known of these species. They could be lost before they are properly classified. The reclusive and beautiful snow leopard, found up to 18,000 ft, is the animal which symbolises this peril most potently, but there are also many types of high-altitude sheep and goats which hang on precariously.

Darjeeling typifies an area where man and wildlife's existence is intertwined. As man multiplies and scours his habitat for fuel and food, the animals vanish. The hill slopes around Darjeeling are in the process of becoming upland deserts. In time, rain will wash the rocks clean of soil. The weather pattern, as in so many places in the world, puzzles locals. For some 100 days prior to our arrival, the climate had been overcast, occluding the mountains altogether. Last winter was the coldest for many years. Yet finally, when the sun came, all was well – or appeared to be. Kanchenjunga – "The Five Jewels of Eternal Snow" – with its glittering white throne and spectacular ramparts, was still there.

هكذا من الاصل

GARDENING/MOTORING

Four into one will go

Robin Lane Fox on a rather special botanic garden

UNIVERSITIES keep on being told to forge close links with business. I have just seen a link that took an unexpected turn: no patents, no bright ideas, no suppliers to business of what it is supposed to want. Acquisition, rather, is the word for it, and it is the university which has done the acquiring.

In Leicester, the University Botanic Garden covers 16 acres and is run at the university's expense. It is open from Mondays to Fridays (104 pm) at Stoughton Drive South, Oadby, on the south-east outskirts of the city.

Its acres of well-planted greenery are a pubic haven in a city and county not overstocked with gardens for visitors. It has admirable trees, two national collections of plants, and a highly-respected area for experiment which is fenced off from the public because it is potentially so exciting.

The garden was the scene of an important breakthough in tomato breeding. It is now the trial ground for possible types of new sports turf. It is a pleasing garden, kept admirably by its staff.

What pleased me was its origin and development, because they might be a lesson for our times. The Botanic Garden began with the ambitions of a Leicester businessman, F. S. Brice, who built himself a house in Stoughton Drive (which he called Middlemeade, later changed to Beaumont) and, between 1904 and 1910, laid out grounds in the most fashionable manner of the times.

He planted a Japanese garden, the rocks and concept of which are still intact (although the small maples are somewhat larger than Brice can have expected).

Brice installed the sort of pergola which every small country house was felt to need in the Edwardian age. It had none of our plastic hoops or wobbly arches. It rested on solidly-built piers, up which grew a cluster of flowering climbers.

His water garden runs up one end of the pergola and is planted with blue-leaved hostas, big rodgersias with leaves like umbrellas, Japanese water irises, and water lilies which are almost too vigorous.

Brice understood how to make the most of water in a garden. Be bold, he must have told the designers, and bring water right up to the garden's main viewing point so that it dominates the space which encloses it and leads the eye down its inviting vista.

In gloomy 1947, Brice's house and garden were bought by the university. It then took the bit between its teeth. Perhaps you remember those anecdotes of 1972 when a certain merchant banker was believed to have told his agent to buy farmland in southern England; and when the agent asked him how much to buy, the banker told him to continue until they hit the coast. Late in the 1940s, something of the same spirit enlivened Leicester's botanists.

Brice's house had three neighbours, each of which had notable gardens and each of which was built in vernacular or mock-historic style. They are a vivid witness to the range of designs within one man's compass because they were all designed by the same architect, Stockdale Harrison.

Soon, the university bought the fourth and furthest ("Hastings"), bagged one of the two in the middle ("Southmeade") and, in 1964, rounded off its sequence by buying the missing piece ("The Knoll"). Every Englishman's dream was then realised. The neighbours had all been bought out and their garden walls could be smashed down, turning four decent gardens into one.

By shrewd buying, the university had realised an under-appreciated principle of good gardening and living. Why have only one house in which to live and garden when there are bound to be quarrels, disruptions and noise and it is, anyway, so much more amusing to plant two? What happened, so charmingly, by ruin and neglect at Sissinghurst (a tower, a cottage and a little bit of castle) occurred in Leicester through some shrewd academic dealing.

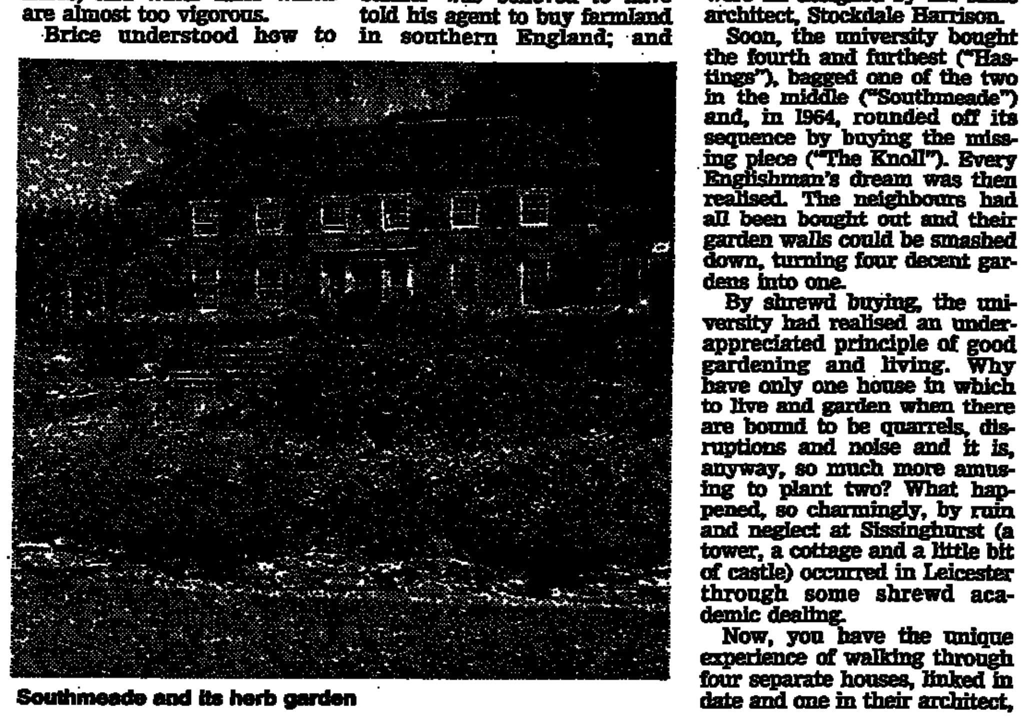
Now, you have the unique experience of walking through four separate houses, linked in date and one in their architect, but each with its own garden identity and immoveable background of mature shrubs and trees.

The now-linked gardens house national collections of aubretia (they recommend the variegated Dr Mules form) and hardy fuchsias (more than 70 varieties survive in the open). Brice's house has a superb oak, Quercus Petraea Mespilifolia, with toothed leaves. A small alpine house shows the wildflowers of the Balearic Islands, where collectors take students in the spring vacation.

Beyond the furthest house, the garden runs away into a recreated Leicestershire meadow, rich in wildflowers with a texture that strikes a chord in any keen fox-hunter's heart. The four houses themselves now contain university students: at any point in any of the four gardens, you might come across summer romances or attempted study with a book.

Admittedly, the enterprise ceased in 1964, the beginning of the end for universities' bolder visions. But it does make me wonder about the scope of further science. In Berkshire or Surrey, you see similar houses with decent gardens which sweep abruptly into one another's barrier or rhododendrons. Could not some artful benefactions start a new chain reaction? Now that you cannot sell your house, why not club together and give a row of them to a university and let it knock them into one?

I am sure that a new University of Sunningdale would make generous arrangements with former owners who were prepared to look after each other's adjoining flowerbeds; and just think of all those eager, green students who could be conscripted to save you the bother of cutting the grass.



Southmeade and its herb garden

Right royal Kiwi pressie

DAMAGE TO trees during the Great Storm of October 1987, the need for a much larger selling centre, a wish to encourage greater use of the restaurant, and the desire of the New Zealand government to give the Queen a handsome present of its native plants have all conspired to give the entrance to the Savill Gardens in Windsor Great Park a new look.

Those familiar with the gardens will recollect that the restaurant stands just inside them, close to the entrance gates and at the top of the slope running down to the water. Its position means that it commands excellent views. The plant centre was on the other side of the gate where the slope used to be covered with old beech trees, spaced widely but still excluding so much light and impoverishing the soil to such a degree that a deep carpet of moss was considered to be the best ground cover.

It was unusual and beautiful but, when many of the trees were blown down or damaged severely by that remarkable autumn gale, there seemed to be no sense in spending many years recreating that particular scene.

It had already been decided that a considerably enlarged plant centre was required, and a suitable site for this had been chosen on the other side of the restaurant. Along came New Zealand with its offer of plants and it soon became clear that a very suitable site for this collection would be in and around the old selling area. The greenhouse was still there to shelter those plants that would need protection throughout the year and provide temporary winter accommodation for the even greater number that could not be regarded as fully reliable outdoors.

The disappearance of the beech trees had made this area very open and sunny, and all that would be needed would be to prepare the necessary beds and standing grounds – the former for the plants that would be expected to stay outdoors winter and summer, the latter for those that would be grown in pots or other containers for easy removal to the greenhouse when necessary.

I do not know at what point it occurred to someone that the restaurant, like the selling centre, would be more profitable if it could be open freely to all comers without having first to pay to go into the gardens; but this suggestion did fit in well with the other alterations. All that was necessary was to enclose the restaurant and its outdoor terrace within a deep semi-circular ha-ha, or concealed wall.

Flower beds could extend to the top of this wall so that, from within the restaurant or even from the terrace itself, it would be impossible to see any trace of it and the view would continue uninterrupted into the garden. All this has been done with great success.

Beds are covered completely with wood chips, not the well pulverised bark that is much used nowadays as a surface mulch for flower beds but a much coarser, woodier grade that should be even more effective in reducing the germination of weed seeds. There is generous use of grey-leaved plants, many small conifers, shrubby potentillas, hebes, campanulas and some delightful drifts of rose pink diasceas which might serve as a reminder that South Africa, as well as New Zealand, can make valuable contributions to British gardens.

The New Zealand Collection was opened by the Queen in the presence of the High Commissioner for New Zealand on June 23. It contains well over 800 species and varieties, and other donors besides New Zealand have contributed generously to it.

Virtually the whole area outside the old glasshouse has been covered with pea gravel, which continues unbroken from the plant beds themselves onto the paths and the standing grounds. Such gravel beds have been used successfully elsewhere in the Savill Gardens for a considerable time and they suit a wide range of plants, but particularly those that enjoy good surface drainage combined with a cool, moist soil. The gravel is loose and stirred easily with a rake or hoe, it discourages both loss of water by evaporation and the germination of weed seeds, and it requires a minimum of labour to keep it clean and tidy.

The plants are all labelled clearly and, although many are rare and may be impossible to buy, the availability of New Zealand plants is increasing all the time, thanks both to a few large New Zealand exporters and to some small but very knowledgeable specialists nurseries in Britain including Graham Hutchins. He has a small but well-stocked nursery in Hornchurch, Essex, and has written and published the best popular guide to hebes and parahebes, many of which are neat-growing shrubs excellent for small, sunny gardens.

Arthur Hellyer

Chess

THREE ROUNDS from the end of the latest World Cup event in Rotterdam, Anatoly Karpov was coasting to first prize with a massive score of 9½ out of 12 while his leading rivals were struggling. But then came, by Karpovian standards, an unprecedented disaster. He lost with the White pieces against his countryman Salov; had to resign, also with White, against Ljubojevic; and in the final round he was beaten in 80 moves by Britain's John Nunn.

The outcome was that for the first time in the World Cup tournaments a player other than Kasparov or Karpov took outright first prize. Jan Timman of Holland profited from the top seed's lapses and finished with 10½/15, ahead of Karpov 9½, Vaganian (USSR) 9, and Nunn 8½. Britain's Nigel Short totalled 7½ for ninth place.

Research suggests that the last time Karpov lost three in a row was probably some 20 years ago in his junior days. Normally it is an occasion for comment if he loses more than one game in any tournament, while his only comparable disaster in his championship years was the four-game series near the end of his 1978 match with Korchnoi when, exhausted by the marathon battle, he lost three games and drew one.

It will doubtless be argued that this sudden fallibility on the part of one of the greatest players in history is a sign that, at 38, the years are at last starting to catch up. But a more likely explanation in this case is that Karpov needed, not just to win at Rotterdam, but to obtain a high percentage to keep a chance of outpointing Kasparov in the World Grand Prix.

Supporting this theory is the course of his first defeat against Salov, in which Karpov spurned several chances to draw before misjudging an exchange of queen for three pieces. Even after his comparatively bad result in Rotterdam he easily retains second position in the overall Grand Prix, the final event of which is at Skelleftea, Sweden, in a few weeks.

Many of the decisive World Cup games are dour encounters which are only settled in the endgame; but this week's game is a bright exception. Black chooses a provocative system of the Sicilian Defence which hopes that White will over-reach in his efforts at king's side attack. The White formation does look extended after 20 moves, but as so often in Sicilians there is a hidden tactical point which justifies White's calculations and leaves Black a hopeless cause on material.

White: J. van der Wiel (Netherlands).
Black: J. Ehlvest (USSR).
Sicilian Defence (Rotterdam 1989).

1 P-K4, P-QB4; 2 N-KB3, P-K3; 3 P-Q4, PxP; 4 NxP, N-KB3; 5 N-QB3, P-Q3; 6 P-B4, P-QR3; 7 B-K2, B-K2; 8 O-O, O-O; 9 K-R1, N-B3?

This is already suspect, since White's next few moves create a classical attacking formation. Better is 9 ... Q-B2; 10 Q-K1, P-QN4 or R-K1. White can still advance P-K5, prepared by B-B3 or Q-N3, but Black has time to organise active counterplay.

10 NxN, PxN; 11 P-K5, N-K1; 12 B-Q3, P-N3; 13 Q-K2, Q-B2; 14 P-QN3, P-QB4; 15 PxP, NxP; 16 B-N2, R-N1; 17 P-B5, P-B3.

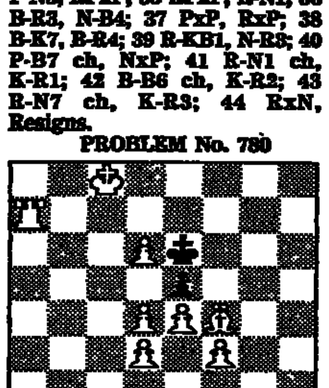
The crisis of the game. If 17 ... NPxP; 18 RxP! PxR; 19 N-Q5 wins, so Black hopes to defeat the attack by a counter on the white queen.

18 PxNP, PxB; 19 PxRP ch, K-R1; 20 N-Q5 dis ch, P-B3; 21 Q-N4!

Winning by force – Black missed in his earlier analysis the point 21 ... PxN; 22 RxP! RxQ; 23 R-B7 ch with mate to follow. As played, White soon reaches an ending two pawns up which Black prolongs vainly till past the move 40 time control.

21 ... P-K4; 22 Q-N8 ch, RxQ; 23 PxR=Q ch, KxQ; 24 NxQ, P-Q7; 25 N-Q5, B-Q1; 26 QR-Q1, B-N5; 27 RxQP, N-K5; 28 R-Q8, B-K7; 29 R(3)-KB3, BxKR; 30 RxB, P-R4; 31 R-K1, N-Q8; 32 P-KN4, R-B1; 33 P-B4, P-R5; 34 P-N5, RPxP; 35 RPxP, R-N1; 36 B-R3, N-B4; 37 PxP, RxP; 38 B-K7, B-R4; 39 R-KB1, N-R3; 40 P-B7 ch, NxP; 41 R-N1 ch, K-R1; 42 B-B6 ch, K-R2; 43 R-N7 ch, K-R3; 44 RxN, Resigns.

PROBLEM No. 780



White mates in three moves, against any defence (by O. Wurzburg). Despite its simple setting, this problem contains some remarkable play. Beware of the obvious captures 1 BxP? and 1 PxP? which concede an immediate stalemate draw.

Solution Page XXI.

Leonard Barden

Bridge

TODAY'S hands are no-trump studies. We start with rubber bridge:

N
♠ 7 4
♥ 4 3
♦ 8 6 4 3 2
♣ A Q 9 3

W
♠ K 8 6
♥ J 10 8 7 2
♦ J 7
♣ 7 6 4

E
♠ 10 9 5 3 2
♥ 9 5
♦ Q 10 9
♣ K 8

S
♠ A Q J
♥ A Q 6
♦ A K 5
♣ J 10 5 2

With both sides vulnerable South dealt and, on his 21 balanced points, opened the bidding with two no-trumps which North had no hesitation in raising to three.

West's opening lead was the heart knave. East produced the king and the declarer took with his ace. He then led the knave of clubs and finessed. The king won and East returned the nine of hearts.

South decided to play low. West overtook with the 10 and continued with the eight to clear his suit. Taking with the queen, the declarer cashed his three club winners (finishing on the table) and led a spade, finessing the queen. West had the king and defeated the contract with his two established hearts.

Let us replay the hand. We recognise it as a standard example of hold-up with two stoppers. We allow the heart king to hold, win the next heart and consider the position. West might have the spade king and this dangerous entry must be removed at once.

With no convenient entry to the table – clubs cannot be touched yet – we cannot finesse so we lead the knave of spades. West might well duck; but if he wins and leads another heart, we win with our remaining honour and run the knave of clubs without a care.

Even after his error at trick one, the declarer can make his contract by taking the second heart lead, running off three clubs, cashing ace and king of diamonds, and throwing West in with his last heart. But that would be a most undeserved result.

We turn to teams-of-four:

N
♠ A 9 8 4
♥ 2
♦ A J 10 9 3
♣ K Q 5

W
♠ 6 5 2
♥ J 10 9 7 5 3
♦ 8 5 4
♣ 7

E
♠ Q J 10
♥ K 8 6 4
♦ K 7
♣ A 10 9 3

S
♠ K 7 3
♥ A Q
♦ Q 6 2
♣ J 8 6 4 2

With North-South game, East dealt and bid one no-trump, showing 12-14 points. South passed, West said two hearts and North doubled. East raised to three hearts, to make things difficult, but South was not to be silenced and went three no-trumps.

West opened with the heart knave, East dropped an encouraging eight and South's queen won. The two of clubs was led to the queen. East won and returned the four of hearts to the ace.

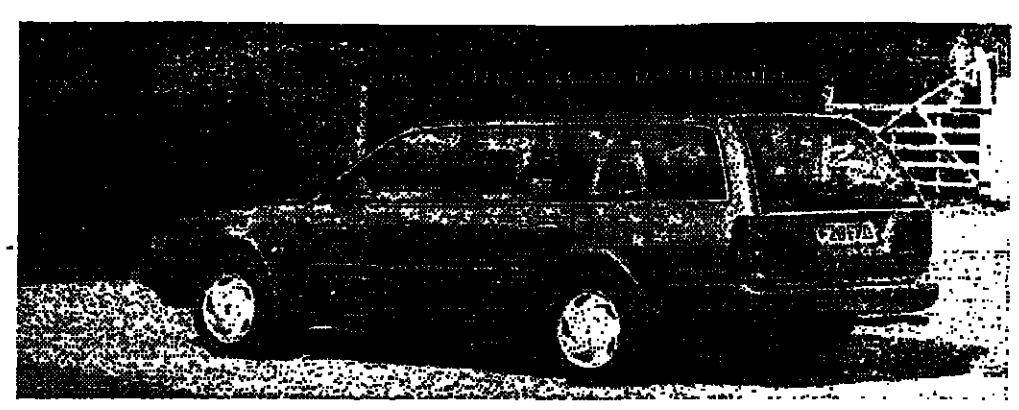
The declarer cashed dummy's club king and, when West showed out, crossed to his spade king and ran the diamond queen. It lost to the king and a heart return put the contract two down.

In the other room, South also played in three no-trumps and West again led the heart knave. This South, however, realising that East must have the club ace, saw an opportunity for an avoidance play.

He took his heart queen, crossed to the ace of spades and led the five of clubs. East had to duck – if he wins, he will set up four tricks in the suit for South – and the knave won. Now, with that vital tempo gained, the declarer finessed the queen of diamonds. It lost, as expected, but nine tricks were in the bag.

Would you have crossed to dummy and led the five of clubs? If not, you must study avoidance – it is a very present help in trouble.

E. P. C. Cotter



Mazda's 626 2.0i GT estate . . . more like a sports car than a load-carrier

An Olympian estate

Stuart Marshall drives a Mazda with muscle

OLD MYTHS die hard. Some motorists who would like the extra carrying capacity avoid buying an estate car because they think it will be less nimble and enjoyable to drive than a saloon. They should try the Mazda 626 2.0i GT estate with which I spent a week recently.

Its four-cylinder engine breathes as freely as an Olympic runner through its 16 valves and, driven hard, feels just as athletic. On the open roads of East Anglia, the Mazda went more like a sports car than a load-carrier.

When idling, the engine is so quiet and free of vibration that you have to look at the rev. counter to tell if it is running. A feather-light clutch and shift encourage full use of the five-speed gearbox although the engine pulls well in high gear at town speeds.

A sporty driving style seems right for the GT estate. It must be the full use I made of the through-the-gears performance that gave me only 22 mpg (12.84 l/100 km) because its official consumption of leaded or unleaded at a constant 56 mph (90 kmh) is 39.2 mpg (7.2 l/100 km).

Although the engine puts 148 horsepower at 6,000 rpm through the front wheels, the ultra-low profile Bridgestone tyres did not lose grip during acceleration. Admittedly, the roads were dry. I suspect that care might be needed in the wet.

It is a comfortable car for driver and passengers – the rear ones get extra head-room to compensate for sitting a little higher. The seats are well-shaped and not too hard; the suspension a fair compromise between shock absorbency over bad roads and tautness for precise handling. The speed-sensing power steering is very light when driving slowly and never fidgety on motorways.

For sheer carrying capacity, the Mazda is not in the jumbo-sized Volvo or Mercedes class but it compares well with, say, a Ford Sierra or Peugeot 405. As a bonus, a pair of rear-facing seats (like a Montego estate's) pull up from the load floor. They make it into an emergency seven-seater, although the extra passengers should really be children.

Standard equipment includes ABS brakes, cruise control, central locking, powered windows, tilt/slide sun-roof (unusual for an estate car) and exterior mirrors. The price: £15,649.

The 626 2.0i GT version made its UK debut at the motor show at Birmingham last October although the 626 estate has been around for a little over a year. If adequate rather than high-spirited performance will suffice, there are two other executive-style 626 estates (one an automatic) from £11,599.

Two more Mazdas reached the showrooms this week – the latest RX-7 cabriolet (£23,999) and coupé (£21,999). Both are unique in having 200hp, turbo-charged Wankel rotary engines. Leather interior trim is standard on the cabriolet, which has a power-operated hood.

I haven't tried the new RX-7s yet. Top speed is said to be 150 mph (240 kmh) and the standing-start acceleration time from 0-60 mph (0-96 kmh) a tyre-smoking six seconds. Turning to more important matters, they should be super-smooth to drive although, I suspect, a bit thirsty.

■ Page XX: Antony Thorncroft discusses the saleroom market in vintage cars.

The Mazda RX-7 cabriolet: a rotary speedster

LONDON PROPERTY

PROPERTY

Reaping a rich harvest

The market in working farms is thriving, reports **John Brennan**

TEN YEARS ago, buying a house in the country meant just that: a house, a garden and – for those with ponies – possibly a neighbouring field. Now, even buyers with no agricultural interest at all are competing for farmhouses with 100, 200, 300 or more acres of land.

With rising country residential values passing agricultural land values on the way down, a new generation of non-farmer farm-owners is emerging. Robin Thomas, of Strutt & Parker in Exeter, confirms that demand by buyers for farms – *particularly smaller farms with* a good main house – now bears little relationship to anything as prosaic as crop yields.

"In the past, you would look at the productive capacity of a farm," he says. "These days, I find myself valuing the house, the potential for the outbuildings, the amenity value, whether there is a stream you could get a few rods on, paddocks for ponies . . ."

The extent of the switch from commercial to amenity values is reflected in the land price index produced by Strutt & Parker with the Ministry of Agriculture and Wye College of the University of London. That shows commercial farm prices in the last quarter of 1988 averaging £2,190 an acre. Farms that were mainly residential sold for more than twice that, with an average of £4,790 an acre. And as commercial bareland values ease, that price differential is widening.

What differentiates the present cycle of demand for residential farms is that it extends across the range of country properties, to the extent of suggesting a real change in the nature of the farming community. Incoming buyers with no agricultural skills are helping to reverse a long trend to marry farming with ownership of the land.

Farmers and farm-owners have often been quite distinct species in the past. A few hundred years ago, the people who actually worked the land could be recognised as rustic characters tottering about in bucolic squalor with either a sack or a small sheep draped across their shoulders to keep the rain off. Farm-owners, on the other hand, had to labour between the Jane Austin-esque embarrassments of life on their country estates and the vital, social bloodstock business of maintaining an adequate income-bearing acreage by marrying well.

Secure, multi-generation farm tenancies, the pressure cooker impact on land utilisation of the population shift into towns as a result of the Industrial Revolution, and the drives to increase food production in two world wars, put an end to all that. From Thomas Hardy's rural despots through to the early days of the Land Rover-borne *squirearchy of The Archers*, the rustic small-holder shifted up the economic and social scale.

The patchwork of small-holdings that made up the agricultural map at the turn of the century has been drawn into a pattern of larger farms. This rationalisation has been helped along by a rich harvest of tax concessions and capital investment, made against a background of wartime and post-war campaigns aimed at making Britain as near self-sufficient as it could be in food production.

Security of tenure has enabled working farm families to become the effective (or, by buying in freehold, the actual) land-owners. That is reflected in the continuing fall in the proportion of let farmland in Britain, from more than 90 per cent in 1900 to under 40 per cent now.

Until recently, the distinction between farmer and farm-owner had seemed to be fading away. Part of the present reshuffle of farm deeds dates back to the late 1970s when, with rare timing, the financial institutions stepped in to reap some of the subsidised yields available on agricultural land, just as the years of steadily rising farm incomes and land values were about to end.

City funds ended up in a two-tiered competition for farmland. At one level, the competition involved open bid battles between the funds for large tranches of the best, Grades I and II, cornbelt land of East Anglia. Those record price bids stole the headlines, but the volume of direct institutional investment in farmland was not that significant. The really big money competition was between the banks and other agricultural mortgage lenders for the hearts, minds and wallets of the existing farming community. Their enthusiasm to allow or persuade farmers to borrow to improve yields on their existing acreage, or to add to their land holdings, poured billions of pounds into an inflationary land price spiral.

Valley Farm at Boyton, eight miles from Woodbridge, Suffolk, is a six-bedroom, Grade II-listed, 17th-century farmhouse in 345 acres of productive light land. It is being offered by Strutt & Parker's Ipswich office (0473-214-841) in lots or as a whole with a guide price of "in excess" of £900,000

For a few heady years bank-funded farmer investors competed with other similarly-funded farmer investors at land auctions where, if the land was of institutional quality, as likely as not they would end up as rival underbidders to a price-insensitive pension fund or life office. This price spiral started to unwind as the food mountains within the EEC began to reach embarrassing proportions.

Instead of being asked to dig for victory, farmers are being paid to set aside land from agricultural use

Instead of being asked to dig for victory, farmers are now being paid to set aside land from agricultural use. As the weeds grow and the lending banks of yesteryear lose their smiles, the whole nature of farming in Britain is changing.

Half a century of subsidy takes a long time to work out of the system, and there is no *sign of any immediate return* to the days when working farmers were rural slaves and the farm owners were social *butterflies flitting out of the* way of the silage. But the ability of farmers to exclude the rest of the population from the 42.7m acres of agricultural land – over 75 per cent of the total land mass of the British Isles – is disappearing fast.

Now that ever higher food production is no longer a national priority, it is not tenable to argue that town dwellers who stray into the country are intruding on the factory floor of a strategic industry. A planning system long geared to blocking any change from agricultural use has been turned on its head. Now, government guidelines positively encourage alternative uses for surplus buildings. A government discussion paper on farmland use proposes a new form of "permitted development rights" which would extend farm owners' former rights to the point of doing pretty well what they liked on their land.

As farmers look for every possible source of additional income, they have begun to face new competition in the sale rooms. As Tim Lee of Carter Jonas says: "We are now seeing four types of buyers. *There are urban types* seeking a place in the country who have cashed in on a property in town – and not just London; there is plenty of provincial city money coming into the market. Then there are the company people who have made money from their businesses and who like the idea of owning a farm, or who want to diversify into amenity land. There are those buying to take advantage of the rollover provisions, although that's not as strong as it was, as development land sales are down. And then there are the actual farmers, who are still very strong in the market."

There is also a strong equestrian interest and, with so many different bidders around, a surplus of cash buyers. "There is a lot more land on the market, and for the moment the market is holding up well. Not every farm has long queues of viewers, but there are three or four serious offers on everything that has come up recently, and they are all cash buyers."

When Carter Jonas put the *318-acre Mill Farm* at Holywell near Stamford, Lincolnshire, on to the market last month, the high residential content – a seven-bed house and four-bed cottage – supported a £1.1m guide price. Prospective buyers were pretty evenly spread between existing farmers and newcomers. A matter of weeks after its release, the agency was moving to final offers.

Andrew Brown of Drewett Neate reports *similar levels of* competition for residential farms in Berkshire. When the Manor Farm Estate near Inkpen was put on the market recently in lots totalling 625 acres with a guide price of £3.5m, the demand, he says, "was overpowering." The agents sent out nearly 500 sets of particulars in five days, and they also expect to reach final offers in a matter of weeks. "The smaller the farm, the more the attraction," he says. Here again, Brown believes that there is a would-be country property owner for every genuine farmer in the lists of people keen to buy.

As many merged farms in *the rest of the country* get lotted down to their historic size, stripped back into the constituent smaller farms that were drawn together to make up the complete property, it is often possible to draw three or four residential farms from a single modern commercial farm.

South-west, Welsh and Welsh border lands never lent themselves to the kind of integrations that formed the grain prairies of East Anglia, or even the larger intensive arable farms common through the centre of the country. The survival of smaller farms in the south-west makes it a first choice both for farmers from other parts of Britain who are trading down to a more manageable property, and to the growing number of residential farm enthusiasts. Robin Thomas reports that when Strutt & Parker put the 100-acre Cleave Farm near Totnes in South Devon on the market, more than 80 people confirmed viewings within a week. A sale at over the £275,000 guide price has since been completed.

"The average farm size in Devon is 100 to 150 acres and, to be commercial, farmers are looking to release buildings for barn conversions, to open shops, offer cream teas and what have you to keep going," says Thomas. "Incomers who merely want the home and the security of owning the land about them have no such problems, he says.

"I think that people with no farming experience are less daunted because it is still very easy to sell grass. Seven or eight years ago farmers would buy land if they needed extra grazing. Now they think that rather than having to borrow, they can buy in what they need. The landowner can sell the crop, no tenancy is created, there is no loss of control, and that's the trend throughout the south-west."

It is easy enough to buy a farm to live on if the working acres are down to grass, and the work done and the crop paid for by some silage-hungry local farmer. And for non-farmer buyers there are plenty of professional land agents to take on the management.

Christopher Langford, from the management side of Drewett Neate in Winchester, finds that most buyers come to take a keen interest in the land. There is a clear tax requirement to avoid being treated as a hobby farmer. Like any business this wants to retain the right to offset costs against income, the Revenue expects owners to run a farm "with a view to making a profit."

Professional management could cost anything from £5 to £20 an acre, depending on the size of a farm and the extent of the work involved. As a guide, Langford says that a non-intensive farm of roughly 30 acres would justify a full-time farm-worker. More work and acreage could mean a foreman, and at the 600 to 700-acre level a commercial farm might be expected to have its own farm manager.

RENTALS

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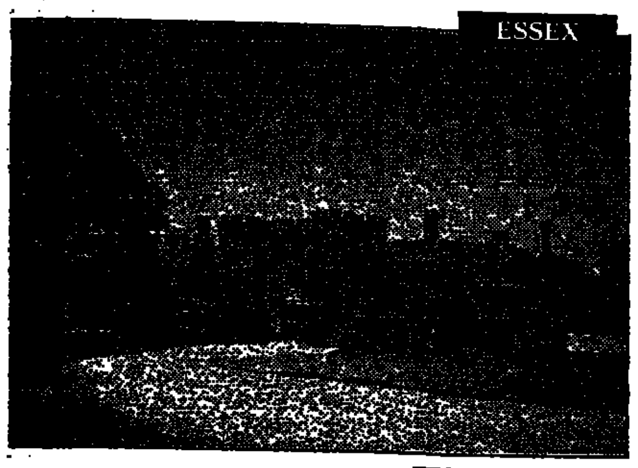

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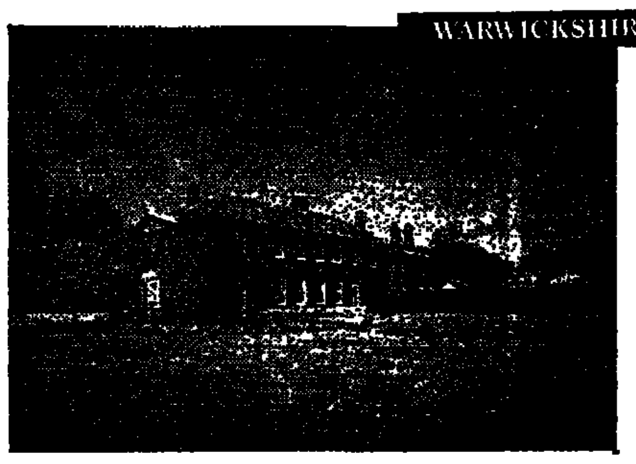

WARWICKSHIRE – DUNCHURCH
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For Sale Freehold.
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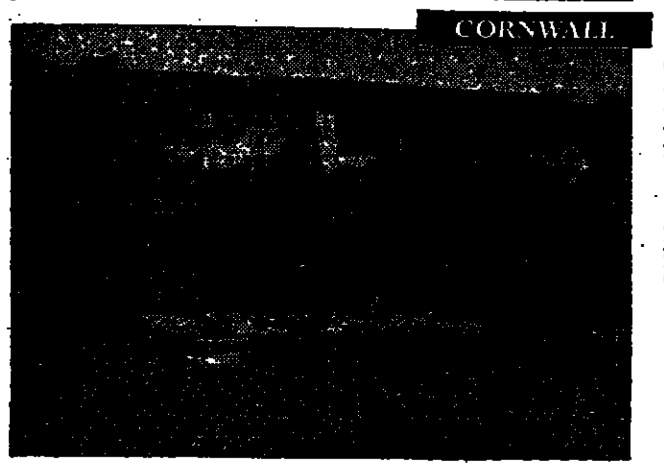

CORNWALL – ST JUST-IN-ROSELAND
St. Mawes 4 miles, Truro 7 miles. Newquay Airport ¾ of an hour, Heathrow 70 minutes.
An attractive house in a spectacular and unspoilt setting overlooking the Fal Estuary. Reception hall, 3 reception rooms, 5 bedrooms, 3 bathrooms. Garaging. Gardens. Private slipway and 2 beaches, 3 bedroom cottage. 20 acres pasture (let). About 24¾ acres.
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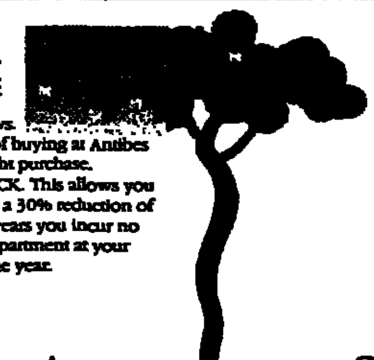

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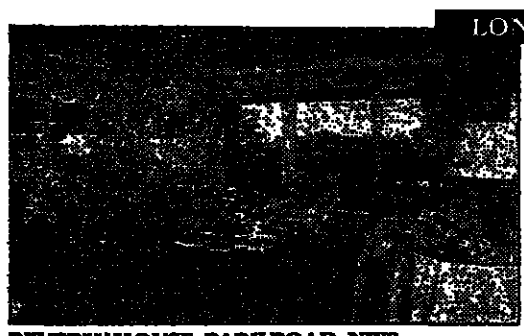

BEVERLY HOUSE, PARK ROAD, NW8
A selection of apartments in this prestigious development with spectacular views over Regent's Park, easily accessible for the West End and City. The 3 and 4 bedroom flats have double reception rooms, 3 bathrooms, kitchens, balconies, video entrance phones, porterage. Independent CH and underground parking.
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Hamptons Residential Developments, 01-493 8222

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Offers in the region of £350,000.
Hamptons, Maidenhead Office: (0628) 74433

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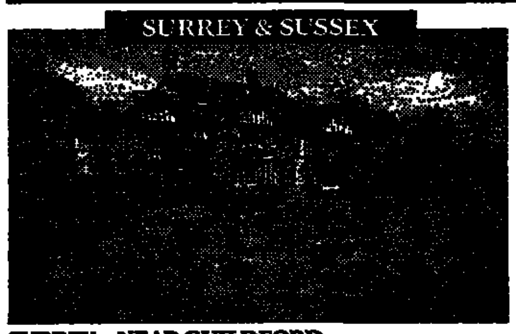

SURREY – NEAR GUILDFORD
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Substantial Offers Invited. Hamptons, Guildford Office: (0483) 572864 and Country Department: 01-493 8222

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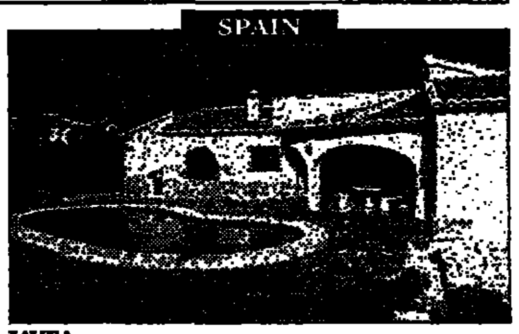

JAVEA
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£178,000.
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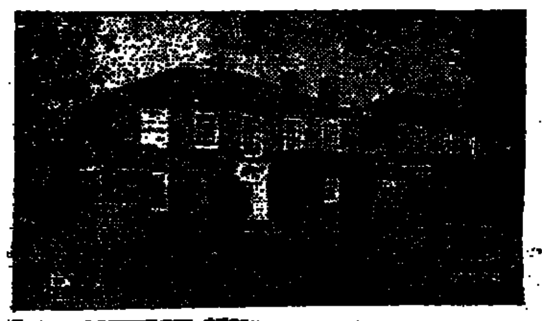

WEST DULWICH, SE21
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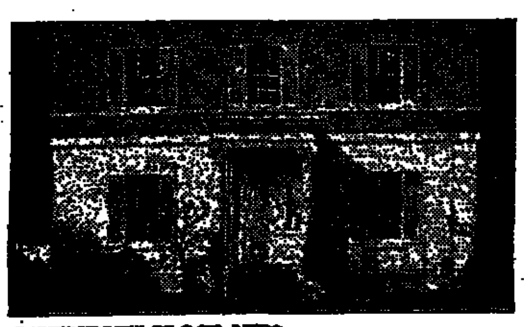

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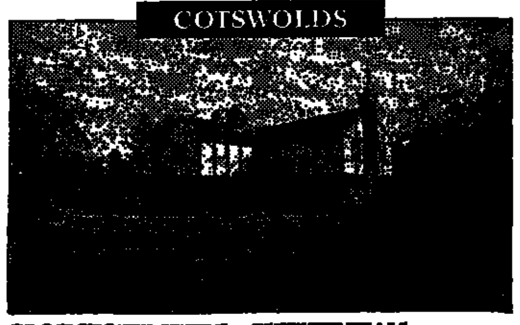

GLOUCESTERSHIRE – CHELTENHAM
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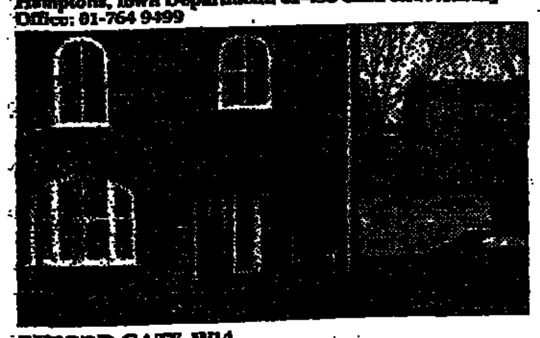

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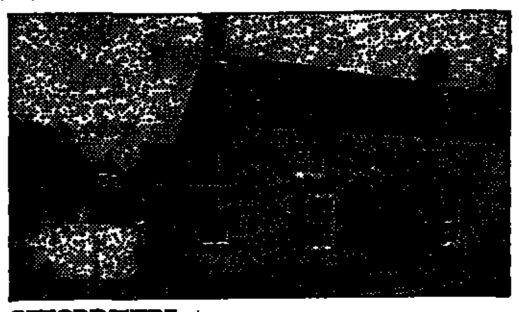

OXFORDSHIRE – MILTON-UNDER-WYCHWOOD
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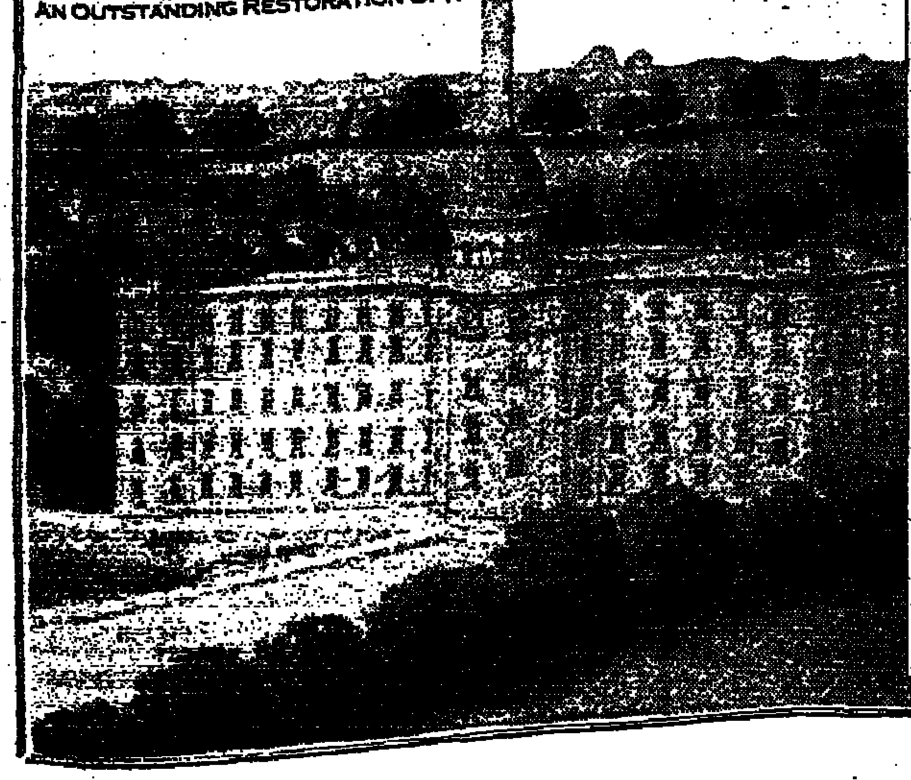

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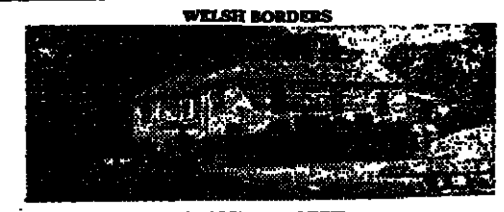

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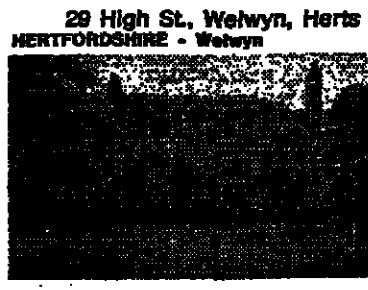
HERTFORDSHIRE - Welwyn



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5 Bedrooms, 4 Bathrooms, Reception Hall, Drawing room, Dining room, Study, Kitchen/Breakfast room. Triple garage. Mature grounds. About 1½ acres.

Region £550,000 Freehold

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COUNTRY PROPERTY

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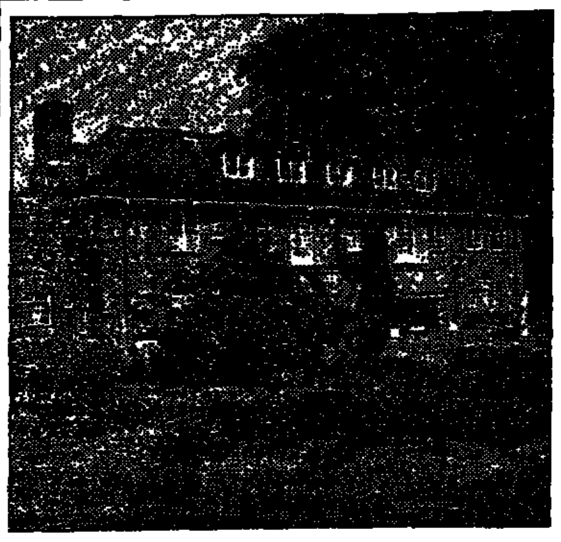
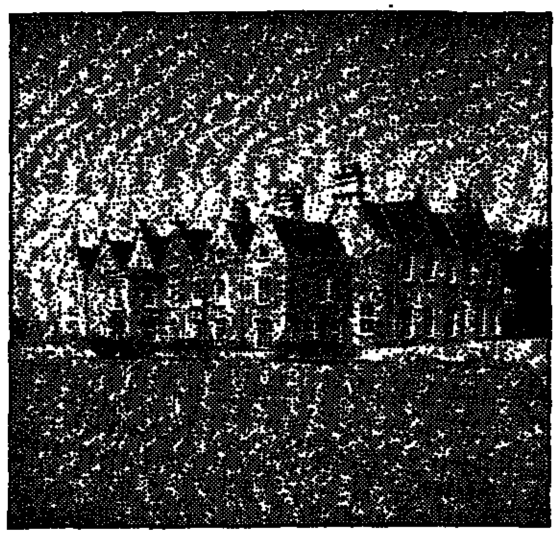
01-629 7282

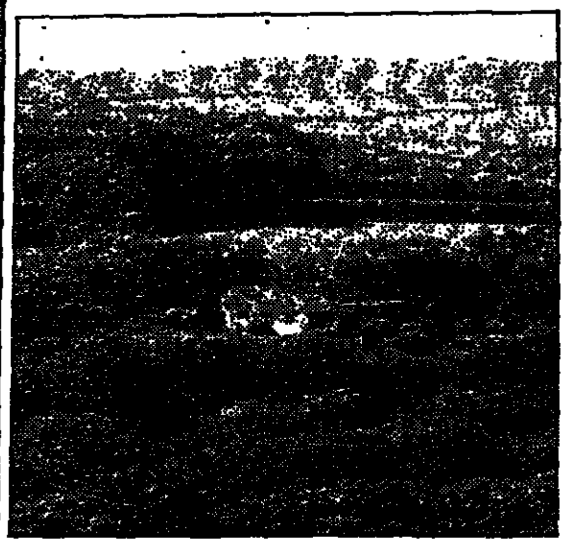


SURREY - *Wentworth. An imposing residence in magnificent gardens and grounds intersected by the River Bourne.* Hall, 4 reception rooms, master bedroom, *bathroom and dressing room suite,* 8 further bedrooms and 6 bathrooms. 2 bedroom staff/guest cottage. 4 car garaging. Heated swimming pool, tennis court, *landscaped gardens, grounds and woodland.* **About 12 acres.** Joint agents: Barton & Wyatt. Tel: (09904) 2857. **Strutt & Parker London Office: Tel. 01-629 7282.** Ref.1AG11355.



LINCOLNSHIRE - *Colby. Lincoln 6 miles,* **Three substantial properties created from a fine Jacobean Grade II listed hall.** *Main Hall:* 2 reception rooms, *master bedroom,* 5 further bedrooms & 3 bathrooms, garden and grounds.West Wing: 3 reception rooms, master bedroom with en suite shower room, 4 further bedrooms and bathroom. Gardens and paddock. East Wing: 3 reception rooms, 3 bedrooms and bathroom. Additional 25.25 acres of woodland and paddock. **Grantham Office: Tel. (0476) 65886.** Ref.4AB5010.

DORSET *Blandford Forum 6 miles,* **A fine Grade II* listed Georgian country house in a superb parkland setting. Currently used as a conference centre but also suitable for a variety of alternative institutional uses.** Hall, conference room, drawing room, dining room, extensive domestic offices, cellars, 26 bedrooms, 5 bathrooms. Self contained 3 bedroomed flat. 1 bedroomed *staff house.* Garaging & outbuildings. **About 9 acres. To be let for up to 28 years. Salisbury Office: Tel. (0722) 28741.** Ref.7AD885



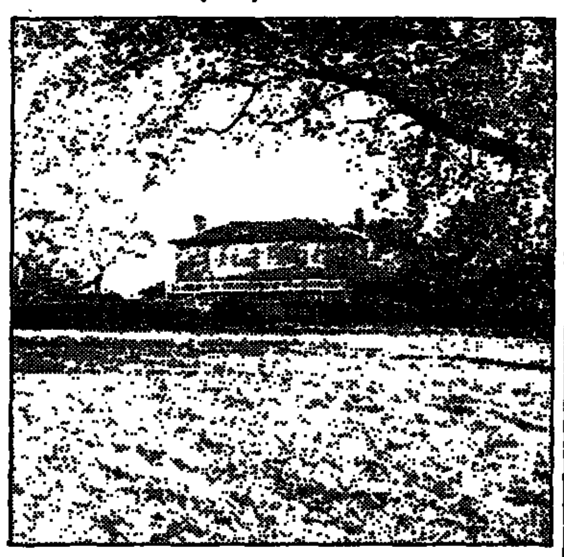
CORNWALL- Helford River. Truro 12 miles, *Falmouth 3 miles, Beach 1/4 mile.*
A contemporary house situated in a totally peaceful position surrounded and protected by its own land with magnificent sea views.
3 reception rooms, 5 bedrooms, bathroom, 2 shower rooms. Oil heating. Heated swimming pool. Garages, outbuildings. Paddocks, orchard, woodland, stream.
About 9 acres. Region £350,000.
Exeter Office: Tel: (0392) 215631. Ref.13AB739.

DEVON - South Hams.
Harbertonford 1 mile. Totnes 4 miles.
An attractive stone farmhouse and range of holiday cottages in a popular and accessible position.
Farmhouse (part of which may be let) with 4 reception rooms, 6 bedrooms, 2 kitchens. 9 holiday cottages. Laundry room, garaging, outbuildings. Gardens, orchard, paddocks. **About 8½ acres. Excess £700,000.**
Exeter Office: Tel. (0392) 215631. Ref.13AC727.

DEVON - Exeter.
A substantial late Regency house with a large garden in a quiet and popular part of Exeter.
4 reception rooms, conservatory, 4 bedrooms, 2 bathrooms. Lower ground floor with 2 bedrooms and ancillary rooms. Second floor with sitting room, bedroom, bathroom. Walled gardens, car parking. Potential for division into flats or for other uses (subject to planning permission). **Region £375,000**
Exeter Office: Tel. (0392) 215631. Ref.13BC747.

KENT - Nr Canterbury. Canterbury 7 miles, (Victoria 83 minutes), Ashford 11 miles, Folkestone 10 miles.
A spacious 17th century country house with a detached annexe in secluded gardens.
Drawing room, morning room, dining room, conservatory, *kitchen/breakfast room, utility room, cloakroom.*
5 bedrooms, 3 bathrooms, oil fired central heating. Detached annexe and garage. Extensive gardens and paddocks. **About 1.9 acres. Region £395,000.**
Canterbury Office: Tel. (0227) 451123. Ref. 8BD3172.

HAMPSHIRE - Avon Valley. Fordingbridge 2 miles.
A most attractive Queen Anne house set in delightful gardens and grounds. 3/4 reception rooms & study, kitchen/breakfast room, 6 bedrooms, dressing room, 3 bathrooms.3 garages, excellent stabling & outbuildings. *Heated swimming pool. Beautiful landscaped gardens* with stream and woodland. 5 paddocks. **About 8.5 acres. (cottage available in addition).** Joint agent: *G & A Town & Country.* Tel: (0425) 614162.
Strutt & Parker Salisbury Office: Tel. (0722) 28741. Ref.7AA810



HEREFORDSHIRE Leominster 7 miles. Hereford 7.5 miles. **An elegant country house of 16th century origin requiring modernisation in a superb park like setting with fine views.** 4 reception rooms, 6 bedrooms, bathroom. Pleasure and walled kitchen gardens. *Comprehensive range of stock and storage buildings* including Grade II listed barn suitable for conversion. Highly productive pasture and cider orchards within a ring fence. **About 80 acres. Offers invited.**
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Beedingwood House — about 4 acres and approx 18,000 sq ft of accommodation with Planning Consent for conversion into 10 apartments.
Rowans — for conversion and improvement. Over 3 acres.
Holly Cottage — and ancillary buildings. About 2.25 acres.
South Lodge — for improvement and extension. About 3.75 acres.
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IN ALL ABOUT 69 ACRES
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67 Northgate Sleaford LINCOLNSHIRE NG3 7AB Tel: (0529) 302946	Regent House 13/15 Albert Street HARROGATE HG1 1JX Tel: (0423) 523423 Contact: Neville Turton	Spring Hill House Spring Hill LINCOLN LN1 1HB Tel: (0522) 534691 Contact: Christopher Smith

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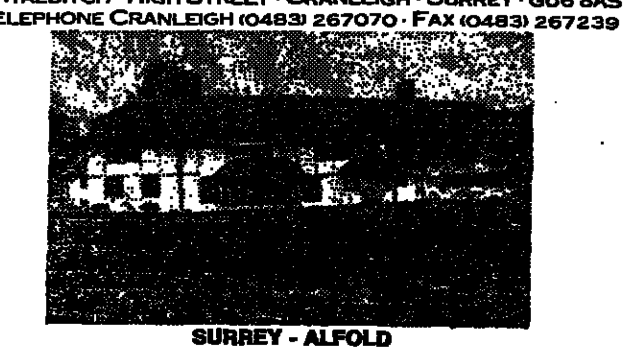

SURREY - ALFOLD

Guildford 12 miles (Waterloo 38 minutes). Cranleigh 3 miles. Horsham 9 miles (Victoria 55 minutes)

A lavishly renovated Grade II listed 16th century cottage with many unique features set in 42 acres of parklike grounds.

Reception hall, cloakroom, *charming drawing room,* panelled dining room, sitting room, superb kitchen/breakfast room, main bedroom and bathroom, guest bedroom and bathroom, two further bedrooms, 3rd bathroom. Hard tennis court. Large walled vegetable garden, garaging, formal gardens, small lake, parkland and woodland - in all about 42 acres.

FREEHOLD FOR SALE

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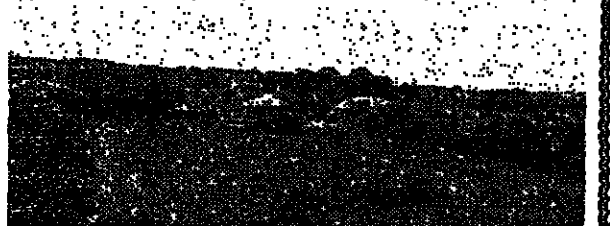

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A SUBSTANTIAL RESIDENCE SET IN SECLUDED GROUNDS

South city location. Adjoining farmland with fine views. Immaculate, 3 reception *rooms,* 5/6 bedrooms, 2 bathrooms. Magnificent indoor swimming hall/ gymnasium. Triple garage (potential annexe). Grass tennis court. Attractive gardens. Over half an acre.

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PRICE GUIDE £850,000.

GA Town & Country, Tunbridge Wells. Tel: (0892) 542711.
Please contact: **Anthony Brooks.**

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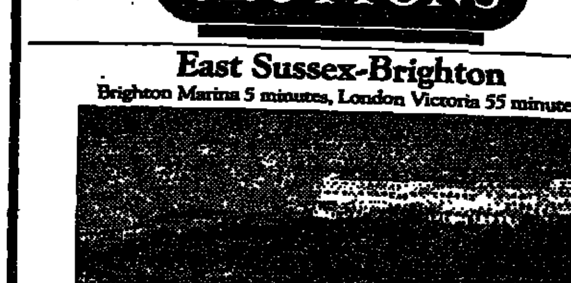
East Sussex-Brighton

Brighton Marina 5 minutes, London Victoria 55 minutes.



The View

A beautifully restored Grade 1 Regency House forming part of a famous Crescent with magnificent sea views.

Drawing Room, Dining Room, Library, Superb Kitchen, Breakfast Room, 6 Bedrooms, 2 Bathrooms (1 en suite), Shower Room. Garden Room. Sun Deck. 2 Self-contained Basement Flats. Garage. Partly Walled Garden.

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M1 (Jct 12) 2 miles, Harlington Station 3 miles (St. Pancras/Moorgate 35 minutes), M25 15 miles, Central London 38 miles.
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Savills, London. Tel: 01-499 8644. Contact: Henry Pryor.

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West coast hill farm with an attractive farmhouse and forestry planting and development potential.
Farmhouse: 2 reception rooms, 3 bedrooms.
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Joint Agents:
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Langley-Taylor

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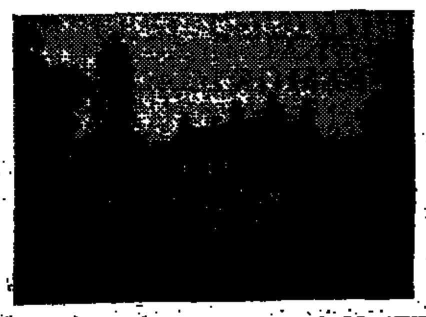

AN EXCEPTIONAL RESIDENTIAL AGRICULTURAL AND SPORTING ESTATE

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Superb Views - Sympathetically Restored
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ESTATE AGENTS ESTABLISHED 1770

IVER, BUCKS
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OFFERS IN THE REGION OF £500,000
Contact Simmons & Lawrence, Country House & Auction Department, Henley (0491) 578855

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This fascinating period residence is set within a charming Chiltern village and enjoys views over woodland and open countryside. Dating back in parts to the 15th Century, the property boasts accommodation including: 4/5 bedrooms, 4 reception rooms, 2 bathrooms, kitchen, detached studio annexe, self-contained. Flemish log cabin.
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Recently constructed to an exceptionally high standard

Large detached house in rural setting situated in one of Edinburgh's most sought after residential areas together with equestrian complex, comprising 13 stables, tack rooms and offices with paddock extending to approx 5 acres.
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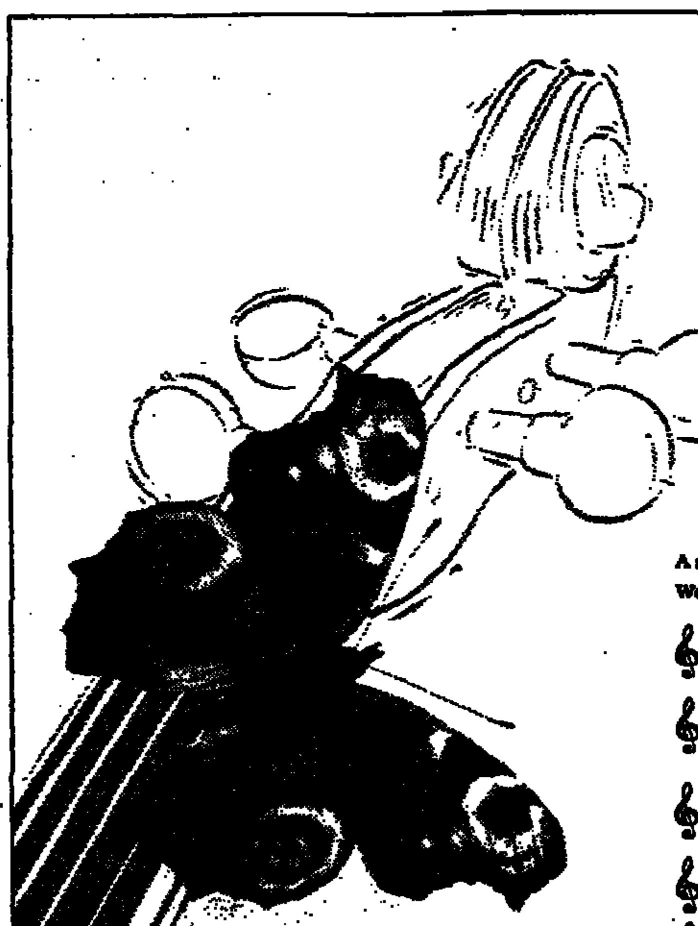
LONDON PROPERTY



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A sophisticated canalside community in the heart of the West End offering:

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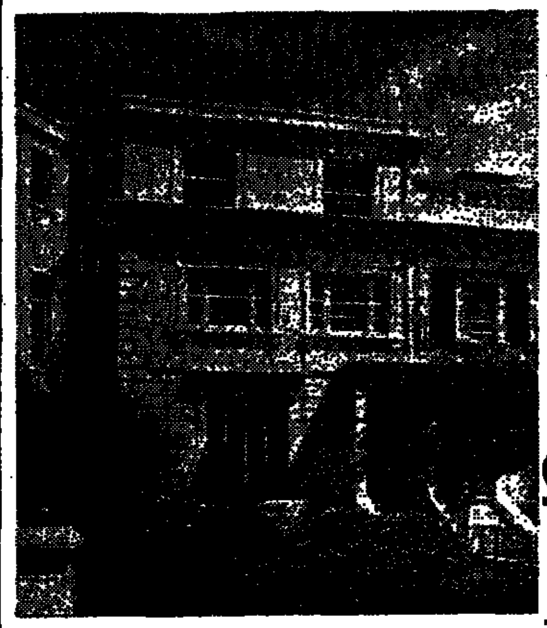

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Hall, 3 large reception rooms, Kitchen/breakfast room, Conservatory, Playroom, 5/6 bedrooms, Dressing room and 4 bathrooms, Wine cellar, Terrace, Front and rear gardens.

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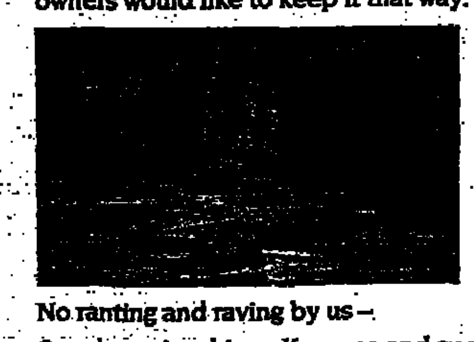

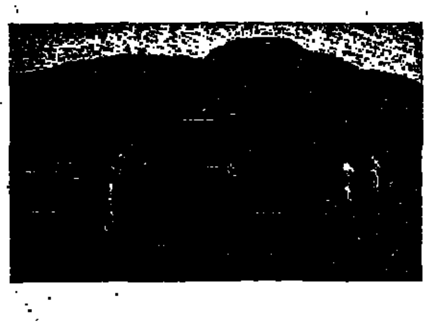

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6 bedrooms, 7th bedroom/study, magnificent double drawing room, sitting/dining room, conservatory/playroom, superb kitchen/breakfast room, 3 *bathrooms, cloakroom,* utility/laundry room, roof terrace, good decorative order. GCH. 120' south facing mature garden. £450,000

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A spacious family residence in attractive position.
Good range of farmbuildings.
Arable and pasture land in ring fence with good access.

445 ACRES

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Grade II Listed Farmhouse with adjoining cottage and stabling.
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175 ACRES

Vacant Possession Michaelmas 1989.
Auction in 2 Lots at The Manor Hotel, Yeovil, Friday 18th August.
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A luxury development at an affordable price!

A superb new development of mews-type houses and apartments enjoying the benefit of a spacious landscaped leisure area of river garden fronting the River Thames and a hard tennis court, exclusively for the use of this luxury development.

Situated only half a mile from the town centre of the small market town of Wallingford, the development will be completed to the highest standards.

Phase I comprises four 2 bedroomed houses each with bathroom, cloakroom, large living room, conservatory, fully fitted kitchen and South-facing gardens.

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Prices from £95,000

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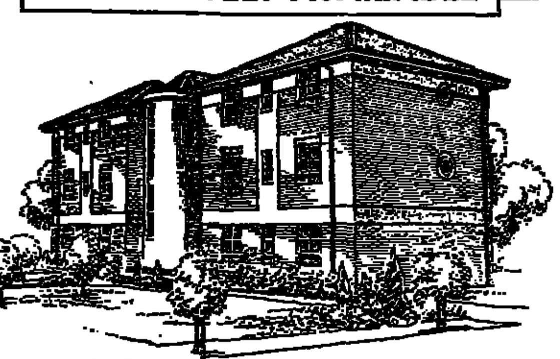

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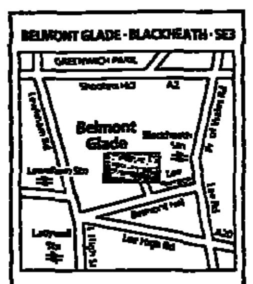

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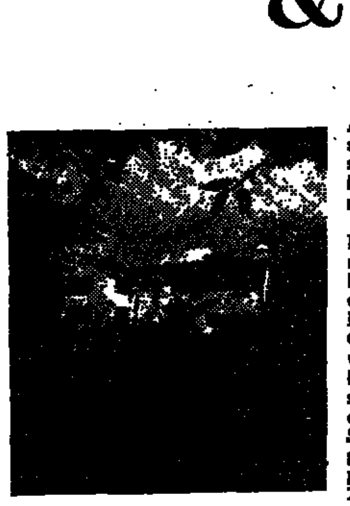

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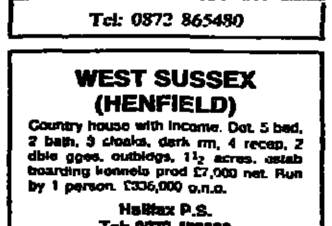

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PROPERTY

Town abandons trousers for sake of tourism

***Robert Waterhouse** meets a man who was keen on green when most people thought it was just a colour*

PROGRESS HIT British trouser-makers by the seat of their pants. And nowhere did it strike more painfully than the tiny West Yorkshire town of Hebden Bridge, whose stone terraces rising sturdily from a confluence of abrupt valleys are a surviving expression of industry predating the Industrial Revolution.

As the trouser trade began to leave cottage mills behind, a process accelerated by the Second World War, Hebden's close-woven community found moving on another problem. Their back-to-back houses raised eyebrows among prospective buyers; their top-and-bottom houses proved unsaleable. These terraced streets are built one on the other to counter gradients of up to one in three. Even ten years ago no building society would mortgage them. The less attractive were simply abandoned.

But a new breed of resident was moving in, an offcomer breed which thrived on cheap housing and a post-industrial lifestyle. Hebden attracted its share of hippies. Not the lounging, nomadic West Country variety – the harsh Pennine climate saw to that. Rather, the earnest, world-changing sort who painted front doors green, stencilled CND symbols in black, unearthed long-abandoned kitchen ranges and cultivated cannabis as just another plant.

Some even found jobs to feed young mouths, becoming reluctant commuters on the convenient railway line, half-way between Manchester and Leeds. They were precursors of today's offcomers ("rippy-offcomers" to "outnumbered locals") who no longer drift by but stand in queues at the burgeoning estate agencies.

For Hebden Bridge is anything but unmortgageable now, following changes in law and fortune. Houses which sold for less than £500 in the 1960s fetch £50,000 today. Representatives of the Halifax Building Society, no less, the headquarters of which are just down the valley, have been spotted out and about, seeking properties for their own workforce. Demand exceeds supply. It's hard to see where, given topography and conservation policies, much can be built.

So pressure mounts for conversion of the remaining mills which, this being Hebden, fit snugly into the street scene. A body of local opinion (from the non-offcomer rump) holds to a conspiracy theory about jobs being sacrificed for space. The theory claims that successful firms looking to expand are denied planning permission and forced out to more accommodating places such as Burnley, making way for homes or shops.

For Hebden is also a growing tourist attraction. The self-styled Pennine Centre lies between Bronte Country to the north and *Last of the Summer Wine* land to the south. Though it is not in a national park – though there has long been talk of formalising something for the South Pennines – it is traversed by Pennine Way walkers en route between Stoodley Pike and Heptonstall Moor. The romantic vistas of Hardcastle Crags were once visited annually by homesick Swiss. And folksy narrowboat gatherings take place along the renovated Rochdale canal.

The town is a nice Sunday drive from Bradford and Rochdale. Visitors buy a cup of tea, and maybe a trinket from antique shops with names such as Hide Park which line the main street. They are not normally big-spenders. Locals claim that their role is to swell Calderdale's tourism statistics – and complain about the cost of the two extra street-sweepers or unheard-of traffic jams between Todmorden and Mytholmroyd.

However, Hebden is hardly just another little working town which has cleaned up its act. It occupies a unique place in the mythology of the New North. Here, at the austere Birchcliffe Centre, a former Baptist chapel up one of the steepest inclines, a grouping of earnest organisations advocates political moderation (in a number of Liberal guises) and northern unity.

Birchcliffe is the home of Pennine Heritage, whose conservation efforts have led to wider involvement in South Pennine affairs. It is also the nerve-centre of TransPennine, the body backed by industrialists to promote the M62 axis between Liverpool and Hull as a loose-limbed alternative to the muscle-bound south east.

TransPennine, Pennine Heritage and its forerunner, Calder Civic Trust, are the inspiration of one man, David Fletcher. Until recently, Fletcher ran Manchester Polytechnic's Department of Environmental and Geographical Studies, but his interest in Hebden Bridge is far from academic. He grew up there and has spent most of his adult life in the town pursuing a "mad love affair" with it.

Fletcher reckons that the mid-1960s saw Hebden's nadir. More than half its native population left between 1955-65 following closure of 33 fustian and corduroy works. Two in every three small shops were abandoned. Hebden Royd urban council seemed to have no answers, except a grandiose scheme for comprehensive redevelopment and pleas for assisted area status like everywhere else.

So Fletcher called a public meeting to say enough was enough. Out of this came a strategy, formulated by Calder Civic Trust, to break with the industrial past: perform cosmetic surgery, promote Hebden as a place to visit and convert the interest into new residents, or "365-day-a-year tourists," along with new forms of employment.

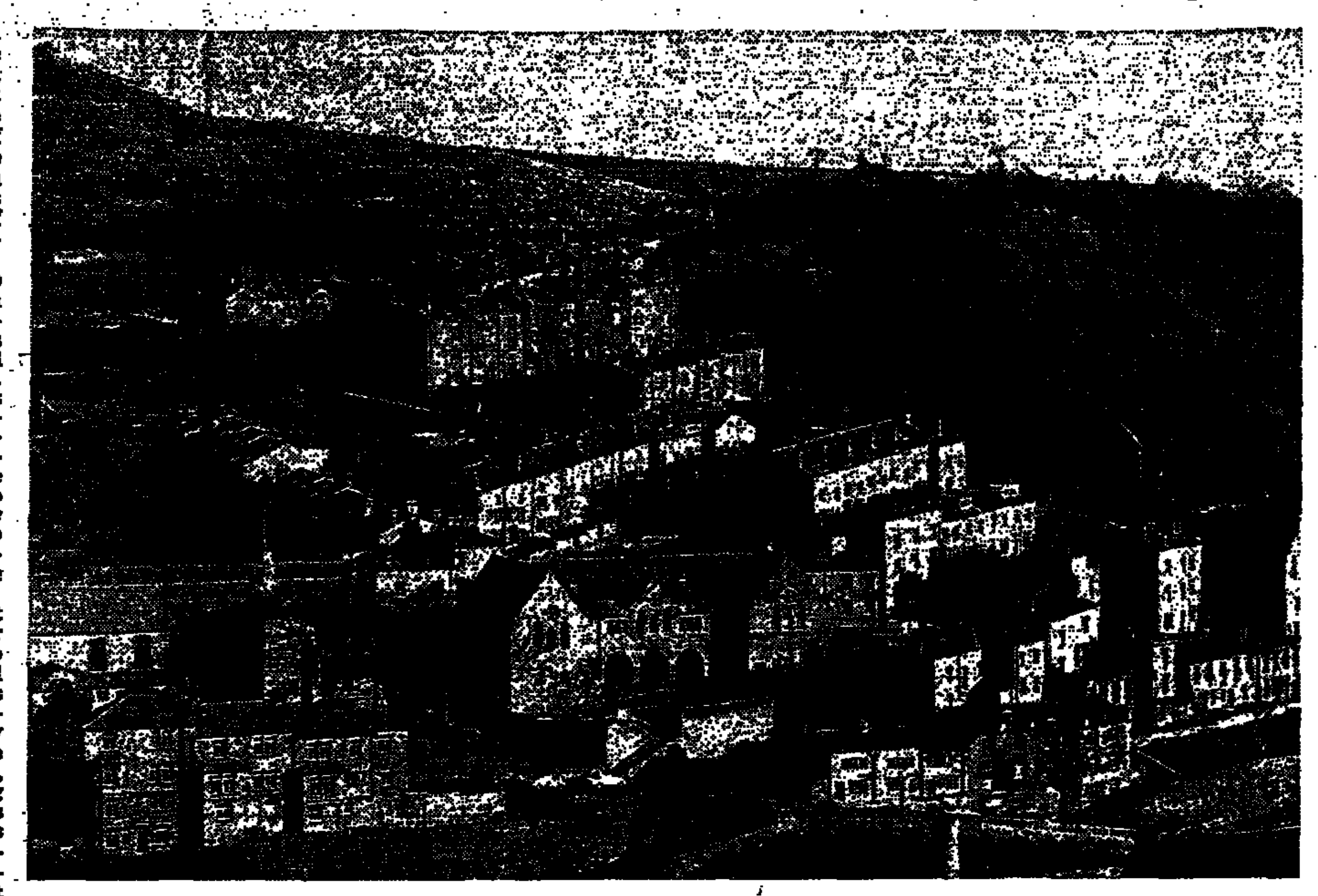
Two years on, in 1967, Fletcher was challenged by the old guard to put up or shut up. So he stood for council on what he claims was among the first "green" tickets, won easily and soon became planning committee chairman. He sacked the town centre developer and began a heritage-led regeneration programme. He left local government at the 1974 reorganisation.

Fletcher counters critics by pointing to results. "Trads," or real locals, are outnumbered two-to-one by offcomers, half of whom arrived after 1971. But "trads" still run half the shops, which are now fully open for business again. The old Co-op has become a four-star hotel. And there is a growing tendency of commuters to create work close to home.

Which is what Fletcher has himself done. He bought Bridge Mill, in the town centre, to prevent it being knocked down. The mill has tourist shops, a restaurant, and healthy competition to rent space in the workshops upstairs. It is not, Fletcher claims, a wholly commercial exercise, but he adds that the mill is worth probably 100 times what he paid for it in 1975. A second investment, Lindon Mill, is holding its own.

Voices in town accuse Fletcher of soft-pedalling on Nutclough Mill until his own properties were established. Nutclough, the biggest of them all, listed but derelict for 19 years and structurally feeble, was acquired at the eleventh hour by Pennine Heritage, which organised an Manpower Services Commission workforce to restore it until grants ran out. The mill has been leased by a Leeds property company which will complete the conversion, run managed workshops and pay a proportion of rents back to the charity. Reputations built on a mill cannot be hid.

All the same, the sanitised Hebden Bridge of today shows more than a hint of Disneyland. In the eyes of one "trad," it's like a tarted-up pub, ersatz grit. The town that once ran a football league doesn't even have its own team. Offcomers play a different game.



Hebden Bridge, West Yorkshire: a painful collision with progress

BOOKS

Actually, we still *care* whodunnit

Anthony Curtis on the revival of interest in that classic genre, the crime thriller

"WHO CARES who killed Roger Ackroyd?" – asked Edmund Wilson, almost 50 years ago in a famous *New Yorker* article, attacking the traditional English detective story for its heap of trivial clues and stereotyped suspects, its obsession with timetables. The answer must be that a great many people still do.

Collins's Crime Club series celebrated its 50th birthday in 1980 with a party held in New Scotland Yard and the imprint is still going strong with a regular output of two or three new titles every few weeks in the year. Gollancz and Macmillan have equally healthy crime lists, as readers of this page will know from the assessments by our crime reviewer, William Weaver.

Faber has always had a small select crime list (stemming presumably from T.S. Eliot's passion for Sherlock Holmes) headed now by the amazingly popular P.D. James. Constable jumped on the crime bandwagon some years ago and has stayed happily with it; more recently Quartet and Headline have clambered aboard. And since numbers of women both write and read detective stories, feminist publishers, The Women's Press and Virago, have not been slow to make their bids for a take-over of the form.

At the height of the Raymond Chandler cult, it was confidently predicted that the Californian, private eye novel with its heady cocktail of violence, sex and wise-cracks, pioneered by writers trained on the pulp mystery magazine *Black Mask*, would hammer the last few nails into the coffin of the old-fashioned murder story, the body in the library whodunnit.

But this has not happened. Tim Binyon whose knowledge of both genres is encyclopaedic even suggests in *Murder Will Out: The Detective in Fiction*, that the private eye novel will be the first to run out of steam.

Binyon has compiled an interesting list of contrasting aspects of the two types which he regards as "radically opposed to one another"; for example, in the detective novel the police are usually honest, organised crime is rare and the intake of alcohol normal, in the private eye novel the police are often corrupt, organised crime is common and intake of alcohol is excessive.

'MURDER WILL OUT': THE DETECTIVE IN FICTION
by T. J. Binyon
Oxford £12.95, 166 pages

But Binyon's main concern in this tersely informative volume is to identify and codify the various kinds of fictional detectives that have appeared, particularly over several novels by the same author, the series detectives. He starts in the 19th century when the form was foreshadowed by Wilkie Collins, established by Poe and given classic status by Conan Doyle. No one has approached the vast, continuing corpus of detective fiction quite in this way before, and Binyon was well qualified for the task being not only an addict and crime reviewer but also an occasional practitioner.

As one would expect his main distinction is between the police detectives and the private detectives. The latter subdivide into what Binyon describes as the professional amateurs of whom Sherlock Holmes is the first and greatest, almost always accompanied by a Watson-style "feed", and the amateur amateurs, typified by Lord Peter Wimsey who either have, like his lordship, no regular employment, or combine a flair for detection with a full-time job. Another pre-Second World War detective who abundantly reveals many of the chief characteristics is E.C. Bentley's investigator, Philip Trent.

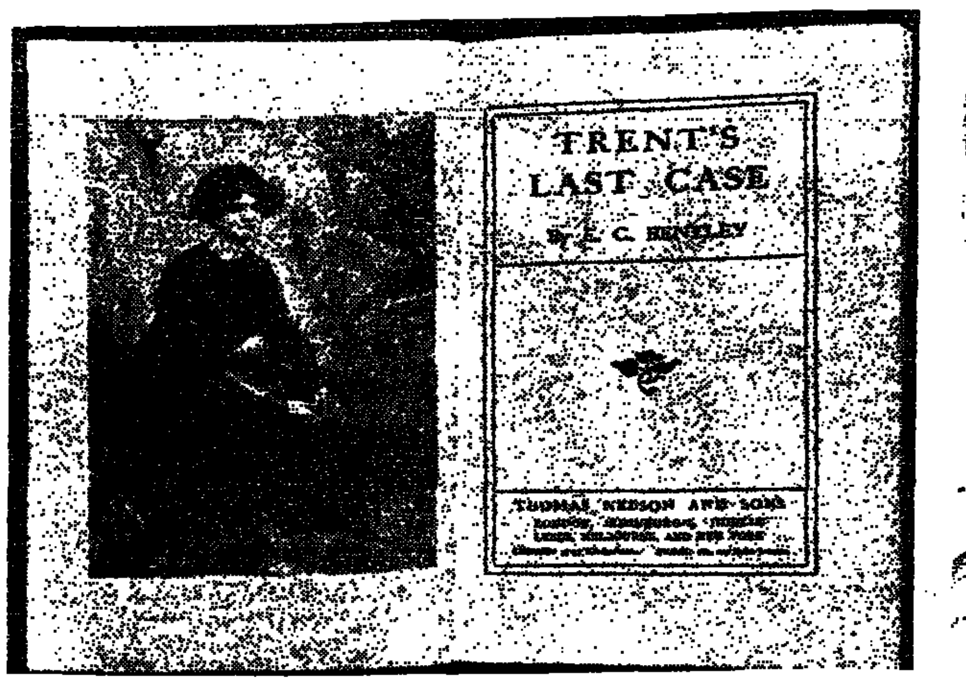
The basic implausibility inherent in the notion of a busy lawyer, bookseller, university professor, actor, merchant banker, housewife, cookery expert, priest, rabbi, having the time and opportunity to attend and solve a variety of puzzling murder cases has not prevented members of all these professions and many others being used by crime-writers as series detectives.

Binyon reckons that for the future there is probably more mileage in the police detective novel than that of the private detective. Among policemen Binyon has further distinctions to make between the flourishing police procedural novel, of which Ed Mc Bain's 87th Precinct is the model, and the single case novel undertaken by one or two main police detectives often called in from Scotland Yard.

Binyon breaks the police detectives down into further sub-categories: cultural policemen (Trenchard's police college at Hendon was a landmark here), younger policemen, peripheral policemen, American policemen, foreign policemen, provincial policemen, and so on.

Many of the books Binyon mentions with approval are now, inevitably, hard to come by. Where, for instance, can one get hold of the novels of Peter Antony whose work appeared in the 1950s? The series detective was Mr Verity and the first, *The Woman in the Wardrobe* Binyon describes as "not only extremely funny; it is also a brilliant variant on the locked room problem." The pseudonymous authors, twins by the name of Shaffer, later went on to write plays, at least one of which, *Sleuth*, had a detective content.

Fortunately several publishers have recently discovered that there is a market for vintage detective fiction reissued in paperback, and some of the titles cited by Binyon have resurfaced. His own publisher Oxford has, for example, just launched a Classic Crime series with three excellent reprints, *Who Killed Netta Maul?* by Frank Arthur (£3.95, 256 pages) – the author was an accountant in the Fiji Islands in the 1930s, and he set this and other detective novels there; *Was It Murder?* by James Hilton (£3.95, 192 pages) – the inventor of Mr Chips with here a more lethal view of public school life; and *The Eye of Osiris* (£3.95, 246 pages) by R. Austin Freeman. This features the great Dr Thorndyke whom Binyon regards as the supreme exponent of the scientific method. Chandler admired him too. The book is strong on Egyptology, and central London before the First World War, but for me it went on a bit. Hogarth Crime paperbacks offer another Thorndyke reprint, *Mr Pottermack's Oversight* (£3.95, 319 pages) as well as the first appearance of that aesthete among sleuths, Philo Vance in *The Benson Murder Case* by S.S. Van Dine (£3.95, 251 pages).



The frontispiece and title page of Bentley's classic mystery

Dent (now part of Weidenfeld & Nicolson) has for some years also had a policy of reprinting notable detective titles in their Master Crime series including Nicholas Blake's *End of Chapter* (£3.95, 201 pages), Binyon thinks that Blake's (that is, poet laureate Cecil Day Lewis's) Nigel Strangeways was the outstanding British private detective of the 1930s. Master Crime has also reissued E.C. Bentley's excellent short stories, *Trent Intervenes* (£3.95, 259 pages).

Meanwhile Virago has just given its crime paperbacks a new look with four fresh titles including *The James Joyce Murder* by Amanda Cross (£4.99, 176 pages). The detective here is Kate Fansler – the author whose real name is Carolyn G. Heilbrun teaches at Columbia. Fansler belongs to Binyon's category of amateur amateurs.

"Of all the detectives in this group, [he writes] Professor Fansler is undoubtedly the most convincing academic. And one of the most satisfying qualities of the books in which she appears is the way she brings a scholar's mind to bear on the problems of detection." Certainly Binyon, lecturer in Russian and research fellow at Wadham College, Oxford, should know.

A complete oddball

Peter Quennell on Blanco White, a mercurial and versatile 18th century eccentric

DARWIN ONCE observed in conversation with the fashionable hostess, Lady Ashburton, that "it greatly took away one's sympathy with a man's religious scruples to find that they were merely symptoms of a diseased liver": to which she sagely replied that "until the dominion of the liver was precisely defined, it was safer to speak respectfully of it."

This was a subject, we have since learned, about which she already knew a great deal. Her "dear old Prophet," the adoring Thomas Carlyle, often talked of the connection between his own physical disorders and "the deep gloom and dubitation" that haunted his spiritual and intellectual life. But Darwin's criticism was probably less true of the Scottish historian than of the strange personage for whom he intended it, Joseph Blanco White, and whom Martin Murphy has portrayed at length in an interesting book.

Blanco White's troubles may have been partly due not so much to the condition of his liver as to the fact that his parentage was oddly mixed – he was half Spanish and half Irish – and his sympathies were therefore often much divided. Even his name had changed, having been christened in 1775 José María Blanco y Crespo, he became in later years Joseph Blanco White, and from the conservative society of 18th century Seville plunged straight into the conflicts of early 19th century England. A devout Catholic, he joined the Protestant Church and took Holy Orders, only to reappear towards the end of his existence as a Unitarian minister.

BLANCO WHITE: SELF-BANISHED SPANIARD
by Martin Murphy
Yale University Press £19.95, 261 pages

Among his most conspicuous traits was his mercurial versatility. In London, besides editing an important Spanish journal, he frequented the Holland House set, where he was hailed as a distinguished Spanish Whig, whose principles could compare "with those of Cicero and Mr Fox." Having entered the literary world, he gained the friendship of Southey and Coleridge, and himself composed a sonnet that, according to Coleridge, was "the finest and most grandly conceived" in modern English literature.

At Oxford, too, both his learning and his social gifts seem to have impressed the dons. He was always warm-hearted and gregarious and, despite his doubts and scruples and hesitations, he evidently enjoyed his passage through the world.

It had not been an unadventurous passage. During his youth in Spain, he had had several romantic attachments, and had begotten an illegitimate son, who presently followed him to England and, as Major Ferdinand White, CB, of the Eighth Regiment of Foot, earned distinction on several Indian battlefields. Martin Murphy's biography, though here and there perhaps a little too voluminous, is a work that certainly deserves reading.

Particularly memorable are White's severe criticisms of the English way of life. Grand London parties he often found dull. There were aristocratic houses, he wrote, "in which the unfortunate guest who does not console himself with the bottle has to put up with two hours of languid and tedious conversation; until about eleven o'clock at night he has to wade home in silk stockings through a sea of mud."

Class divisions shocked him; at the theatre, he noted that "the refinement of the ladies in the lower seats" was in vivid contrast with the "vicious degradation" of the prostitutes above them in the galleries. At the same time, he observed the national taste for comfort and social decorum. "The fundamental principle of English manners amounts to this: avoid causing or suffering inconvenience."

Portrait of Blanco White

Meanwhile, wherever he travelled, "spiritual self-construction" was his chief aim; he was always looking for a goal; and when he abandoned the faith of his childhood, and first accepted Communion at St Martin's-in-the-Fields, he believed, not for the first time, that he had discovered the escape he needed, though he hid his apostasy from all but his closest friends. It was from lack of a settled faith, rather than a defective liver, that, from 1810 onwards, kept him searching and inquiring. White and Blanco were constantly at war, and neither of his personalities could ever quite content him. He died, his two selves still apparently unreconciled, in May, 1841.

Fiction

A stodgy feast

IT SHOULD have been the Indian answer to The Jewel in the Crown, the Memsahib's comeuppance. Upper-class India from the early years of the century to Independence, seen through the life of a princess, described by an Indian woman who clearly knows such a world and has researched the subject both widely and deeply. What a coup it should have been! No wonder the publishers, hoping it was, have rung every publicity bell for this first novel and promoted it with what seems like manic enthusiasm.

Alas, literary gifts don't necessarily go with fascinating subjects (just as they may take the most unpromising and make wonders out of them). Raj may promise a feast but the result is stodgy, an accumulation of detail so dully presented that even where it should have been at least spectacular the spectacle fails to thrill.

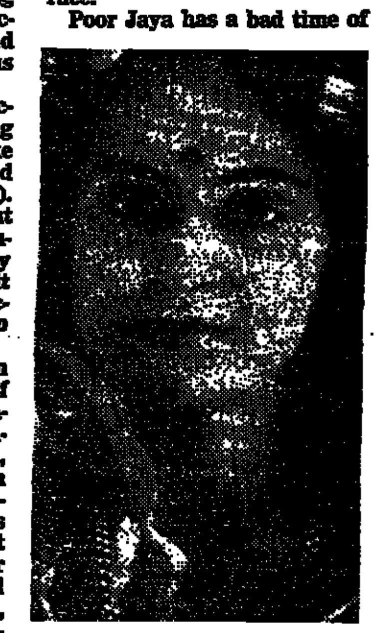
Exotic court life torn between the ancient ways of India and the brasher civilisation of Europe, armies of eunuchs, astrologers, servants, concubines, glitter and wealth beyond most people's fantasies, the lure for some Indians of British life and manners set against the powerful pull, for others, of their own past and culture; polo and tiger hunts, durbars and state visits, presentation at court in London

RAJ
by Gita Mehta
Jonathan Cape £12.95, 463 pages

and the raffish life of Anglicised maharajahs with a taste for blonde film stars: all these combine in the life of the beautiful Jaya, despised by the princely husband who is repelled by women of his own race.

Poor Jaya has a bad time of it: everything humiliating happens to her. For years her marriage is unconsummated until Prince Pratap, needing an heir, gets drunk enough to overcome his revulsion. Jaya's beloved brother is killed in the First World War; her son, an adored only child, in the Independence riots. The Englishman she has secretly loved since childhood hovers for years; but even he sets the spies on her and reports to his British masters on her brief affair with an Indian politician. The ending provides a solution of sorts, Jaya's kingdom being handed over to the Union of India while she stands as an independent candidate in the first elections.

A story full of incident and very much a part of modern life, then, with real people flitting in and out of the fictional action and descriptive documentary slabs, no doubt as accurate as they are detailed, making sure we believe it all happened. But important events don't make for artistic importance, and this novel never really escapes the novelettish. Characters, situations, public problems and private feelings, even the undoubted interest of the facts – all are overwhelmed in the mass of detail, the sluggish, and finally trivialising, long march across the eventful years.



Gita Mehta

Isabel Quigly

Rediscovering the Wooden O

THIS IS a book with a double objective. First, it is an account of all the research that has been done to discover the true details of the Globe, its design and proportions and the way in which plays were presented. Second, it describes the project, begun last year, to build not only a replica of the Globe but the whole complex devised by the International Shakespeare Globe Centre on the south bank of the Thames.

Two informative chapters are contributed by John Orrell, the authority on Renaissance theatres – one on the original Globe, one on the Inigo Jones designs for enclosed theatres such as the Blackfriars, in which the King's Men, the company in which Shakespeare was involved as actor and writer, also played. There is, naturally, a foreword by Sam Wanamaker of the Globe Playhouse Trust.

The measurements of the contemporary playhouses have been assembled from contracts and so on, in considerable detail. ("The diameter of the Globe has been calculated at 102.35 feet, plus or minus 2 per cent.") Not, however, of the original Globe, which was burnt down in 1613 and rebuilt differently.

The object now is to make a replica of the original house, not the second Globe built on the same site. In this, performances may be given as Shakespeare knew them, with the audience in the three tiers

REBUILDING SHAKEPEARE'S GLOBE
by Andrew Gurr
Weidenfeld & Nicolson £15.95, 197 pages

and the "yard", the playing-time reduced to something nearer the "two hours" specified in *Romeo and Juliet*.

There are phrases in Shakespeare's plays that are clearly references to the appearance of the theatre played in and the attendant audience. How players will be found to accommodate the new fast delivery, presumably in some approximation to an Elizabethan speech, we have to learn. In the fairly accurate Globe reproduction in San Diego I only heard one production, and that was about American baseball-players' wives, so I learnt nothing on this point there.

Besides the neo-Globe we shall have an enclosed theatre designed by Inigo Jones that will resemble the old Blackfriars. There will also be cloakrooms and a cafeteria. The Globe will stand on a piazza in which will be housed models, pictures and videos relating to the period. Some of the account of the early playhouses has to be given by Gurr and Orrell in the conditional mood; the news of the proposed exhibition is firmly indicative.

B. A. Young

Home from home

THE Saint-Georges in Beirut – surely *not* to be remembered as the "St George Hotel" – was indeed one of the world's great hotels. A generation of businessmen, diplomats, local politicians and, yes, journalists and spies, will mournfully attest to its sophistication, efficiency, comfort, elegance, and all those elusive things that are so rarely brought together in one hostelry. It was destroyed in 1975 and the Lebanese civil war offers no prospect of its return.

Its role over more than 20 years is now the subject of a reminiscence by one of the of the many foreign correspondents who occupied its famous bar (they would arrive at ten – in the morning – and heaven knows when they left). So here is one particular view of the Lebanon before it lost its function as the Switzerland of the Middle East.

Who will be interested ? The professionals, I imagine, for old time's sake (the foreign correspondents and the spooks); the historians, who will pick up a few footnotes; and perhaps the

THE ST GEORGE HOTEL BAR
by Saïd K. Aburish
Bloomsbury £14.95, 224 pages

old habitués, those with business to transact in the region who remember the place with affection. (Surely, once in a while, an ordinary guy wandered into the bar for a simple drink with no thought of planning the assassination of a neighbouring president.)

More seriously, the dimension is wrong. The Saint-Georges was used by people *rebasing* after venturing out into the region - *returning* from the chaotic early days of the Gulf, from the delicate politics of Saudi, from Damascus and Baghdad, from next-door Israel (via Cyprus on a separate passport). Sure, Philby may have been drinking in the bar, but the point about it was that the place was almost like home. You felt safe there, you unburdened yourself . . .

J.D.F. Jones

WRITING parliamentary sketches is like recording the theatre. There is a colourful permanent cast, much hectic activity and the hope that *everything will be all right on* the night.

At about 2.30 pm practitioners of this ephemeral art wander into the press gallery overlooking a Commons chamber which still retains the atmosphere of an 18th century cockpit. First comes the the tedium of question time when they hope to scavenge a few morsels. Then there is the twice weekly ding-dong between Kinnock and Thatcher. This is officially known as Questions to the Prime Minister but Thatcher has truculently renamed it Prime Minister's Answers.

The solemn set-piece debates often yield little in the desperate search for material. But fortunately this is frequently preceded by unruly points of order when the professional trouble-makers on the backbenches pursue their pet obsessions. The record is probably held by Tam Dalyell, Labour's relentless Scot, whose search for "the truth" about the sink-

A view from the gallery

A YEAR INSIDE
by Craig Brown
Times Books £8.95, 160 pages

MEMBERS ONLY
by Frances Edmonds
Heinemann £11.95, 229 pages

ing of the Argentine cruiser Belgrano assumed the proportions of a parliamentary ring-cycle.

On a desperately dull day the strange attire of our legislators is always good for a few paragraphs. One newcomer to the press gallery built his reputation on descriptions of the multi-coloured socks worn by the late Russell Kerr, a pugnacious Labourite.

Craig Brown, who appropriately spent time as a drama student before observing the Westminster scene for *The Times*, is no stranger to this device. Thus we have Paul Boateng's red and white embroidered socks and our chubby Health Secretary, Kenneth Clarke, continually hitching up trousers which seem in danger of falling about his ankles.

Occasionally the Westminster denizens escape blinking into the light of day to cover an election. Against the backdrop of everyday life our politicians seem even more outré than in their natural habitat.

Craig Brown is at his best on the campaign trail. His vignettes include Labour's Roy Hattersley chomping a bacon and tomato roll at St Pancras station, Tony Benn pursuing the "ishoos" and the bellicose Denis Healey advising a persistent questioner to "drop dead". No novelist would dare invent such a gallery of characters.

Frances Edmonds made her name writing about cricket and metaphors of the summer game dominate her view of Westminster. The Conservatives, like the West Indies, are seemingly invincible while poor old Labour, like England, is searching for a winning captain.

The author first visited the Commons as a schoolgirl and her account is rather a jolly hockey-sticks romp through the political jungle. But the outsider's view has its advantages. She makes acute observations about the inanity of the backbencher's existence and the decline in the standard of parliamentary oratory.

The coming of television in the Commons is causing anxiety about the behaviour of MPs. Only recently, the Select Committee on Procedure complained of bad manners and low-grade abuse in the chamber. This, of course, is rubbish. The rumbustious atmosphere in the chamber has always reflected the spirit of a turbulent nation. Long may this continue, say the sketch-writers.

John Hunt

THIS LATEST volume of Ved Mehta's encompasses a new phase in his life. It records his experiences and impressions of his college years in the 1950s in America and he shares with us the difficulties he encountered as he started to adjust and feel his way forward.

Ved yearned to lead a normal life but he felt too different to fit in: he was blind and an Indian, with no money or home. He tells us of the agonies of growing up in a society where he was always an outsider – not just because of his blindness, but also because he felt he belonged neither to the East nor the West. The more he adjusted outwardly to Western and American values, the more Indian he remained at heart. In this book he attempts to make sense of his life spent balanced between two continents.

But "a person only grows in the school of hard knocks" and

A private story, but for us all

these difficulties only made him all the more determined to get the most out of his time at college and to make the best of everything. He had his dark, depressive moments but they were compensated for by the intense intellectual life at Pomona. As an Indian he believed that knowledge was salvation, he believed in education and was hungry for everything it could give him. He became a passionately committed student, totally absorbed in his work, hoping that through his intellectual life he could make up for the other things which had been denied him. Unable to read for himself, dependent on paid readers to read to him, he had to work twice as hard as other students to meet the standards he set himself.

He gives us glimpses into the

THE STOLEN LIGHT
by Ved Mehta
Collins £17.50, 462 pages

journal he kept at the time, sometimes melodramatic and self-pitying, sometimes full of courage and hope. He charts his ups and down, his hopes and fears. He was always reaching out for someone with whom he could share his experiences. He longed to be loved and above all to be loved by a sighted companion. He wanted to be free of his blindness. He wanted to beat them on their own terms but sometimes he felt so deficient, so frustrated that his ambitions seemed way out of reach.

Ved Mehta has written a very private story for public scrutiny but it has clearly helped him to come to terms with his own life and to bury the myth that the blind live in permanent darkness. Although he may often have felt lost, he got on with his life as much like everyone else as he could, without seeking the pity he so hated. Above all, he wanted to be like everybody, to live and to study by the standards set for the world of the sighted.

Lucinda de la Rue

A SHORT STORY for a SUMMER WEEKEND

BARBARA LOFTUS

The Horse That Loved Mozart

By Michael Thompson-Noel

On the eve of today's Eclipse Stakes, the mighty racehorse Nazruler — winner of the Epsom Derby and owned by an Arab sheikh — has been stolen. The Home Secretary launches a massive police hunt. Trade deals worth billions may be at stake. (Similarities between Nazruler and his real-life counterpart, Nashwan, who races in the Eclipse this afternoon, are, of course, coincidental . . .)

NOW READ ON!

THE Home Secretary had suffered an appalling afternoon, and now the blue telephone was ringing.

He sucked in his breath. For two hours he had been locked in combat with a group of recalcitrant – not to say impertinent – national newspaper editors, attempting to explain why the Government was finally, and with reluctance, about to introduce "modest legislative measures" – that was his favourite phrase – so as to curb the excesses of the British Press.

After that, he had listened to the radio news. Things were much as they were before. The occupants of Numbers 10 and 11 Downing Street were still bickering like magpies. Europe was sweltering under a heatwave that extended from the Caspian Sea to the far west of Ireland, and north to the Arctic Circle. Spectacular solar flares had been monitored by an observatory in eastern Australia.

The Home Secretary put his pen down. Outside his office window, London glittered under a throbbing orb of sun. The blue telephone was his personal line to New Scotland Yard. He picked up the receiver. It was 5.27pm.

"Yes, commander," he said automatically. "What have you got?" The man he was talking to was Commander Christopher Beck, one of the Yard's most senior officers.

"Something strange, sir. Nazruler has done a runner."

"I beg your pardon?" said the Home Secretary.

"Nazruler, sir. Winner of the Derby. A very important horse. Owned by Sheikh Walli Al-Kajabi. Now he's disappeared."

"Sheikh Walli has disappeared?"

"Not the sheikh, Home Secretary. Nazruler has disappeared. He may have been kidnapped. The stable reported him stolen 12 minutes ago. We think it could be serious, sir. It's a very important horse."

"So you keep telling me. Is this the IRA? Is this another Shergar?"

When Shergar had been kidnapped by the IRA seven years ago, the Home Secretary reflected, London had read them the riot act, though it was primarily the concern of the Irish Government. "Things like this must simply not occur," London had told the IRA. The Aga Khan had been devastated. It had had hideous repercussions.

"I do not know, sir," Commander Beck replied. "Nazruler was in a horse van in a village near Newbury. The driver had left the keys in. Someone's stolen the van."

"Do we know any more?"

"It was an unmarked van, said to be a special one. It's Nazruler's personal vehicle, built by Mercedes. In 22 hours from now, sir, Nazruler is due at Sandown. He's running in the Eclipse Stakes. Said to be unbeatable. The papers have been full of it. He's cost the bookies millions."

"Could *they* be involved?"

"Anything is possible."

"And we haven't had a ransom call?"

"It is too early for that."

"He must be worth millions," said the Home Secretary. "Does Sheikh Walli know?"

"The sheikh has been informed. He's up fishing in Scotland. He owns his own river, plus seven grouse moors. Also three castles. He's flying south immediately, heading for the stable. Our intelligence room has told the Foreign Office. They appear to be not pleased."

"Of that we can be sure."

"They point out, sir, that Sheikh Walli is his country's minister of defence, minister of aviation and telecommunications, minister of tourism and minister of planning. Apparently he has been negotiating some very large contracts with some important British firms."

"I know about that, commander. I receive *scraps* of information. The figures are quite bizarrely huge. The Prime Minister hopes to sign the paperwork at some point next week. We simply must find Nazruler. Who have you put in charge?"

"Detective Chief Superintendent Tom Hurt, sir. He's our best robbery man." Hurt was a veritable high-flyer, thought the commander: an East Ender, only 32, an expert on all forms of robbery and with experience of kidnapping. He had had two years with Interpol, who had found him rather saucy. "He *can* be unconventional," Commander Beck told the Home Secretary, "but he's hard and very fast."

"I am sure that he will do. But this could be political. Our footwork must be faultless. I cannot afford a cock-up."

"Superintendent Hurt is on his way now to Hillbrooke's – that's Hillbrooke's the bookies – to see their chairman, cover that angle," said Commander Beck. "The chairman of Hillbrooke's is also president of the bookmakers' association. A rather big wheel. He sounds quite bemused.

"I have told Superintendent Hurt that he has precisely one hour, sir. After he has seen Hillbrooke's, I will close the Mall for three-and-a-half minutes. A police helicopter will collect him and will take him to Berkshire where he'll rendezvous with Sheikh Walli and Sheikh Walli's trainer at the racing stable at about ten minutes past seven."

"Thankyou, commander. Keep in close touch. I shall be at Covent Garden this evening, among the arty-crafties. Miss Sackville will know the score.

"I do not want a fiasco. Nazruler must be found. We cannot have our Derby winners kidnapped in the lanes of England."

IN THE air-conditioned calm of his luxurious travelling box, the big chestnut horse stood perfectly still. His coat shone like silk. Not a muscle flickered. His eyes were closed, his pulse rate slow but steady as a rock. As the auto-reverse on the vehicle's interior tape system clicked, the big horse seemed to stir, but settled again at once. The music started. It was Mozart, of course, the Clarinet Concerto, K622, recorded by the London Symphony Orchestra under conductor Peter Maag.

DET *CHIEF* Superintendent Tom Hurt had a broad, athletic face, crew-cut blond hair and a deceptively relaxed manner. He studied the man opposite him. Jack Hillbrooke was 55, and very deeply tanned. He owned a house in London, Ascot, Deauville and Sorrento, and an apartment – newly bought and not yet redecorated – in Moscow, quite close to the Kremlin. He was reputed to be the 17th wealthiest man in Britain.

"Superintendent," said the bookmaker. "I know you are in a hurry, so let me paint a picture – strictly a broad canvass – to offer you a perspective.

"You say that Nazruler has been kidnapped, and ask whether the bookmakers could have been responsible. I do not take umbrage. In particular, you mention recent newspaper reports to the effect that the bookmakers have lost enormously to date because of Nazruler's exploits on the racecourse. The reports add that we would lose further staggering sums at Sandown tomorrow were he to run in the Eclipse, and will continue to take a beating for so long as Sheikh Walli chooses to leave Nazruler in training, which may be another year, before floating him off to stud at a capitalisation of about £20m, give or take a million.

"Let me tell you briefly about Nazruler, superintendent, and then try to place him, bold brushstrokes only, in relation to the fraternity of bookmakers – simple commercial souls – of which I am happily a member.

"Nazruler is a freak, superintendent. Not in the physical sense, for he is a magnificent specimen of the racehorse, but in terms of his ability. He towers above his contemporaries. You should see him on a racecourse – poetry in motion, a hymn of genetics, triumphalism on the hoof, that sort of thing. Would you like some caviar?"

"Not just now, thankyou."

"Splendid, splendid." Jack Hillbrooke paused for about three seconds.

"Nazruler raced twice last season as a two-year-old, and has raced twice in the current year, winning the 2,000 Guineas and the English Derby, each of them classics. He is undoubtedly extremely special.

"When I predicted in the *Financial Times* four days before the Derby – they have a droll young man there: genuinely knows his stuff – when I predicted that Nazruler would annihilate his Derby rivals in near-record time, I knew of what I spoke. He is without question one of the best European racehorses since the war, perhaps of the century.

"A horse like that is a wonderful tonic for racing. He brings the crowds in, sets the blood afire, makes the front pages. And what is good for racing is always good for the bookies. If Nazruler is good news, so is the arrival on the English Turf of all this Arab money. The Arabs – particularly the Maktoum family of Dubai, but also others, such as Sheikh Walli, a delightful man, superintendent, a dear and gentle friend – have been the saviours of British racing.

"Unfortunately, revisionism is rearing its head. There are some people in racing – even some in the Jockey Club – who hanker for the old days. They claim that the Arabs now exert such a stranglehold on British racing that they win all the top races, hog all of the prize money, have made English racing boring. But the truth is this: thanks to the Arabs, we can now watch many more top-flight racehorses contesting marvellously competitive races – good *betting* races – than seemed conceivable a decade ago."

The chairman of Hillbrooke's made some lightening calculations.

"In four races to date, Nazruler has cost the bookmakers a net payout – I stress the word 'net,' superintendent, as distinct from the gross figure – of slightly less than – I am approximating here – £1.38m. And that, superintendent, is peanuts as a fraction of our turnover, or profits, or of anything else. The betting business is booming. We now show televised racing in all our betting shops, thanks to satellite broadcasts. We are awash in money. It is almost embarrassing.

"But we have to tread carefully. We must not ruffle feathers. We have to humour the Jockey Club and the rest of the Establishment by appearing to pay our way, give back just a little of what we take out. We *have* to be sensitive. We are virtually a monopoly. Certainly we print money. Abroad, they do things *differently* – operate Tote monopolies, all quite soulless. So Britain's bookies are privileged, and perfectly unique."

He paused again. "My own firm, for example, started life as a modest credit betting operation in the wilder reaches of Hackney. But thanks to our betting shops, we have grown rather large – diversified and multiplied. As well as 1,808 betting shops and numerous other gambling interests, Hillbrooke's owns or operates more than 270 hotels around the world. We have been asked to operate seven hotels in Russia – the president rang me himself. We own 14 travel companies, three airlines, gold mines, petrol stations, a major security firm, theme parks, forests, shipping lines, fishing fleets and significant quantities of property in many distant lands. We are a Footsie-100 company; I am overdue for a knighthood.

"All of this has grown from our bookmaking origins. As well as humouring the Jockey Club and soothing MPs – we spend enormously on lobbying – we bookmakers have to look to our PR. We employ the best public relations firm in London – Browne DeBlanc Twitty DeBlanc – which has proved adroit at cultivating the *impression* that Nazruler has cost the bookies millions.

"However, most journalists, I am relieved to say, could not tell the difference between a gross and a net pay-out on a given horse or race if it was coated in gold foil and spoke fluent Japanese. In any case, we control the starting prices. Potentially, Nazruler is one of the

most valuable loss leaders in the history of bookmaking. It is *utterly* inconceivable that any bookmaker would wish to harm a hair of the great horse's head.

"I hope this has been of help, superintendent. Please find Nazruler for us as quickly as possible. Now you must catch your helicopter. So pleased to have met you."

CHIEF Superintendent Hurt touched down at Spring Hill Stable, 12 miles from Newbury, at 7.09pm, accompanied by a detective sergeant, Dan Swift, who wore a defiant gold ear-ring and who carried a small black box, which he handled with tenderness.

By 9.30pm a few things had become clear, though Hurt was no closer to locating Nazruler than he had been when his helicopter landed at Spring Hill.

First, the IRA had been ruled out as possible kidnappers. Terse words had been exchanged between London and Dublin. Commander Beck had spoken directly to the IRA's director of field operations, who had convinced him that the IRA was not involved.

Second, the media were chasing the story furiously. The apparent kidnapping of Nazruler had been the lead story on the BBC's Nine O'Clock News.

Third, no-one had witnessed the disappearance of Nazruler's van from outside Cherry Tree Cottage in a lane just a mile from the racing stable.

Fourth, Sheikh Walli was taking it badly. He was sitting with his trainer in a nearby room, tears streaming down his face, making the dark pouches beneath his eyes glisten like lakelets. The trainer's name was Richard Chessington-Pearce. He wore broad vermilion braces and appeared to be unruffled.

According to the local police, Nazruler's van had been seen parked outside Cherry Tree Cottage on several other occasions. As usual, the van had been driven that evening by a stable employee, Charlie Black, who was not a stable lad, nor an assistant trainer, but a security guard and Nazruler's regular driver. Charlie Black was in his mid-20s, with a head of unruly curls. He had more qualifications in obscure martial arts than Superintendent Hurt himself.

Cherry Tree Cottage was owned by Lady Catherine de Moubray-ffrench-Moubray, a small-time owner with three horses in training at Spring Hill. Tom Hurt had ordered a police car to collect her, and had interviewed Lady Catherine together with Charlie Black in the trainer's dining room.

"What were you doing driving around the lanes?" Superintendent Hurt asked Charlie Black.

"It was standard procedure."

"How do you mean?"

"After his evening feed, Nazruler sometimes goes for a drive. Not every evening, and never in the same direction. Mr Chessington-Pearce reckons that Nazruler is extremely intelligent, and appreciates a break in his routine. He's got music in his van, Mozart generally. Mr Chessington-Pearce reckons he's fond of Mozart."

"Why did you stop at the cottage?"

"I'd left my jacket there."

"When was that?"

"The day before."

"And you left the keys in the dashboard of the van?"

"I thought I'd only be stopping for a minute – a quick in and out."

"How did you leave your jacket there?"

"I was visiting Lady Catherine."

"How many times have you visited Lady Catherine?"

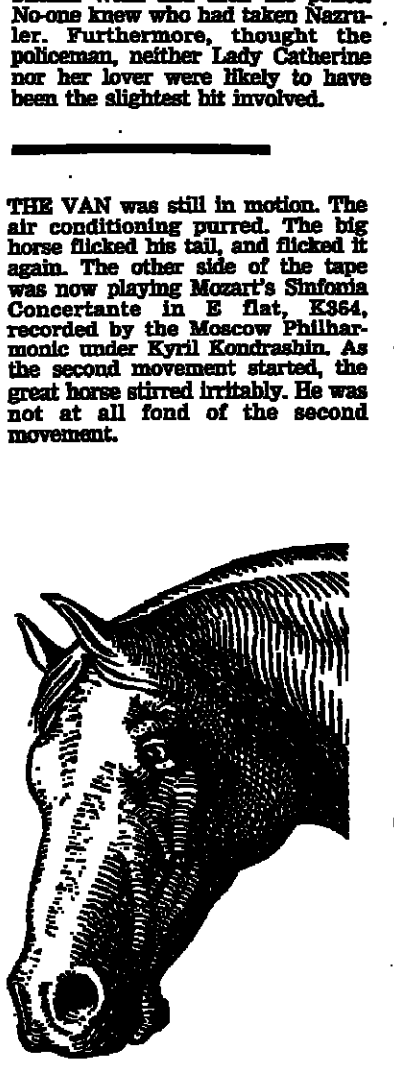
Charlie Black did not answer. Superintendent Hurt turned to Lady Catherine, a woman in confident middle age with a sweep of raven hair and extravagantly-hued nail polish the colour of her trainer's braces.

"Lady Catherine, is Charlie Black your lover?" The woman opposite him erupted. "How *dare* you talk to me like that. You are supposed to be recovering a stolen horse, not questioning me obnoxiously."

Tom Hurt sighed. "Lady Catherine," he said. "If you do not answer my question I will have you arrested, placed in a police car, driven out through the gates again, past the TV cameras, and charged as an accessory to theft – Mr Black as well. You *will* answer the question. Is Charlie Black your lover?"

With practised elegance, Lady Catherine changed tack, agreeing that Black visited her often, though his usual means of transport was a motorbike, not Nazruler's van. The moment Black had noticed that the van was missing, he had telephoned the trainer, who had telephoned Sheikh Walli and then the police. No-one knew who had taken Nazruler. Furthermore, thought the policeman, neither Lady Catherine nor her lover were likely to have been the slightest bit involved.

THE VAN was still in motion. The air conditioning purred. The big horse flicked his tail, and flicked it again. The other side of the tape was now playing Mozart's Sinfonia Concertante in E flat, K364, recorded by the Moscow Philharmonic under Kyril Kondrashin. As the second movement started, the great horse stirred irritably. He was not at all fond of the second movement.



IT WAS midnight, and Chief Superintendent Hurt was sitting with Sheikh Walli and Richard Chessington-Pearce. In the room next door, Sergeant Dan Swift was speaking into a telephone, the small black box propped safely by his side. He had not yet opened it.

There was still no news, no demands for ransom. The media were camped on the road outside. There was nothing to tell them. Tom Hurt had spent much of his time since arriving at Spring Hill interviewing stable staff and assorted locals, the remainder on the telephone fielding dozens of calls, some of them to Interpol.

He glanced at Sheikh Walli, who sat mournfully on a sofa beneath a Stubbs original. Sheikh Walli wore his familiar brown striped suit with a mauve stiped tie. When he had first taken up racing, the sheikh had often visited the stable with his pockets stuffed with money and with Cartier watches which he had distributed to the staff. Everyone loved him. It had been explained to the sheikh that his generosity was making the other owners cross, so he had stopped handing out banknotes where ever he went.

Tom Hurt addressed the sheikh's young trainer. Richard Chessington-Pearce had undoubtedly started life well. He was a godson of the Queen. On his third birthday he had inherited £7m. But he was extraordinarily brighter than most racehorse trainers. He had a degree from Harvard, and was remarkably successful at his chosen profession. Spring Hill had the finest amenities possible: all-weather gallops, swimming pools for the horses, a well-equipped laboratory, a gymnasium for the staff, state-of-the-art security.

"What I don't understand," said Tom Hurt, "is why Nazruler was wafting round the lanes in this extravagantly-equipped chariot. You were breaking all the rules of security. Where was the sense in that?"

The trainer crossed his legs, snapped his lurid braces. "Breaking all the rules? Hardly, superintendent. But a racehorse like Nazruler merits extremely special care. He is a superb athlete, primarily – so he has been raised and trained according to the most advanced thinking available here or in Kentucky. Beyond that, he is definitely intelligent. This is rare in a racehorse. Most have an IQ somewhere below five.

"In a small minority, however, you can definitely see intelligence. So we cater to that – we do not condescend to him. For example: ever since he was foaled he has listened to music, Mozart mainly. *Nazruler was bred in Kentucky at* Sheikh Walli's stud. Both in Kentucky and in England, we probe the boundaries of veterinary thought.

"Our results have been outstanding. Sheikh Walli is consulted about the smallest details. Nazruler was listening to Mozart's Clarinet Concerto within 60 minutes of his birth. Taking him for rides in his van is part of our procedures. Keeps him involved, breaks up his routine."

"Have you ever had trouble in the stable, arguments with staff? Has anyone threatened you, or threatened Nazruler?"

"Never, superintendent. I am courteous and likeable. I have always been popular."

Sheikh Walli was listening sadly. Tom Hurt turned to him.

"Do you have enemies, Sheikh Walli?"

"Every man has enemies, whether he knows it or not."

"Political enemies?"

"Perhaps one or two."

"How much is Nazruler worth – he is said to be an exceptional horse."

"Nazruler is not a horse, superintendent. He is Nazruler, a gift from Allah."

"What is he worth?"

"Everything and nothing. You could say that Nazruler *cost* me about £2m. I bought his dam from the Queen of England for £1.5m. But those sums are nothing – less than the desert wind. What is money compared with my lovely Nazruler? They say he is worth £20m. But Nazruler is not for sale. And now someone has stolen him. Perhaps they have harmed him?"

"It is impossible to say."

AT 7am, Chief Superintendent Hurt strolled for a while in the walled gardens attached to Spring Hill Stable, accompanied by Det Sgt Swift. They listened to the birdsong. A clammy violet fog blanketed the countryside. Neither man had slept. Twice in the hours since midnight Dan Swift had opened the small black case he had brought with him from London and operated the machine within, but the results had not impressed him.

At 9.57, the sergeant took a telephone call from the Manchester police which split his face into a dazzling grin.

"They've got a lead," he shouted. He wrote furiously on a pad. The others scrambled round. "A man called Harry Carstairs – describes himself as a tinker and odd job man – has just told the Manchester police that *he* took Nazruler's van from Cherry Tree Cottage and that he then headed north to meet up with a friend – another villain – who operates in Manchester.

"He was sticking to the back roads, making slow progress, didn't want to be seen. At 8pm he stopped for a sleep. Then he drove again, stopped at a pub, had several drinks, heard about Nazruler on the news, looked in the back of the van and was shocked out of his wits. He'd had no idea there was a horse inside."

"But the van has closed circuit TV," objected Tom Hurt.

"The screen was no doubt blank," the trainer said. "If the switch wasn't on, he wouldn't have known that Nazruler was there."

"The point is," said the sergeant, "that Carstairs says he wasn't stealing a horse. He was stealing the bloody *van*. Hoped to sell it in Manchester."

"Where is Nazruler now?" asked Tom Hurt.

"In a field by a millhouse. But Carstairs can't remember where. He says the drink made him woozy. He drove round for hours, then stopped near an old mill, opened a gate, led Nazruler out and left him cropping grass. Says that the horse was perfectly safe and sound – seemed sorry to see him go. He left the van in a nearby wood and hitched a ride to Manchester. By the time he got there he had almost sobered up, so he called in at a police station. He says he's *extremely* sorry."

Locating Nazruler was not that difficult. Sgt Swift opened his black box and punched furiously at the keys of the machine inside it. He was watched only by Chief Superintendent Hurt, Sheikh Walli and Richard Chessington-Pearce.

"You're not supposed to know about this," confided the superintendent. "It is an extremely resourceful gadget. There would be an almighty explosion in the media if they knew that such a machine existed. They would call it Orwellian. But it helps us fight crime. It links us in to our main data base in London. It will also connect us with other important data bases in Paris, Vienna, Los Angeles and other places. It gives us almost *any* information, so long as we know what to ask. An infinity of information. But you have got to know the right questions. With what we have to go on, pinpointing the correct field and millhouse *somewhere* between here and Manchester should not be difficult – quite the reverse."

And so it proved. Nazruler was located, utterly unhurt, only a little north of Banbury. He was reunited with his van and driven to Sandown racecourse where the vets pronounced him unscathed and fit to run in the Eclipse Stakes, the fifth race of his life.

AS THE big chestnut horse left the parade ring, Chief Superintendent Hurt had a brief word with the powers-that-be and handed them a cassette. Half a minute later, the sounds of Mozart's Clarinet Concerto could be heard over the racecourse loudspeakers. As the runners went down to the start, the great horse flicked his tail and moved with all his customary majesty. He entered the starting stalls sweetly. When the gates snapped open he rocketed out, and scorched to a famous victory.

In the royal box, a man in a crumpled brown striped suit and a mauve striped tie wept into a purple handkerchief.

Down to the sea in a tall ship

Christian Tyler samples life before the mast

Second mate Francis Noel-Hudson takes a bearing as the Astrid heads for the Thames estuary

THE WORLD looks a different place from up here. It is only 50 ft to the deck below and another half dozen to the green sea sliding by, but fear and exhilaration have doubled the drop. Above me, the mast is describing a gentle figure-of-eight against the sky. Two miles away on the left, the cliffs of Dover are unwinding like a long white ribbon. A hundred yards off – just about level with my knees – a small plane is circling, taking pictures.

My legs are shaking, not so much with fear but because I am balancing on a thin strand of wire. I have thrown my weight forward over the upper top sail yard in order to free my hands to untie the gaskets, the ropes that bind the sail to the spar. As the sail flaps out, it reveals a metal hand-rail on the yard. I shackle myself to it and reflect that the world is not such a bad place after all.

The *Astrid*, a square-rigged brig measuring 138 ft and displacing 250 tonnes, had been motoring eastwards into the wind for 24 hours. Now, she was rounding the south-eastern corner of England and was shaking out her sails like a great white flower to pick up the wind as she turned.

A sailing ship in full bloom is a sight that cannot fail to stir the heart of any Englishman. He comes out in a rash of nostalgia and the blood turns to brine in his veins – especially if his only nautical experience has been lifted from the pages of *Our Island Story* or C. S. Forester.

Gawping landlubbers have been able to feast their eyes at the Pool of London this week where 125 ships, from the colossal barques *Kruzenshtern* and *Sedov* down to dainty sloops of less than 30 ft, have been gathering for this afternoon's parade and tomorrow's Tall Ships' Race to Hamburg and the Baltic.

The *Astrid* was one of the first to arrive at the party which, this year, coincides with the octocentenary of the lord mayoralty of London. But she left early for a rival rendezvous of square-riggers at Rouen to celebrate the bicentenary of the French Revolution.

Her home is alongside a red lightship in Southampton where we embarked on a cold, wet morning. The decks were a confusion of stores, tools and odd lengths of timber, and sounds of hammering and drilling. Ropes lay in tangles of spaghetti at the foot of the two 84 ft masts.

A surveyor from the Department of Transport was checking every seal and rivet (official scrutiny has redoubled since the *Marques* went down with the loss of 19 lives during a tall ships' race five years ago). As the old hands among the crew of 27 made ready, young trainees with anti-sea-sickness patches behind their ears waited in bewilderment for their orders.

At last, the surveyor let us go. The crew was divided into two watches plus day workers and Joe, the first mate, told us how to abandon ship, warned us about the "widow-maker" blocks that fly about with the jib sheets at head height, and showed us how to work the lavatories, or "heads."

We passed a J-class yacht owned by a local nightclub tycoon and, later, the drunkenly leaning Nab Tower. We ate shepherd's pie and cabbage and lemon sponge pudding. The sun dropped astern like the red ball on the Greenwich Observatory, and I went to sleep on a shelf with the sound of the 300 hp diesel motor rumbling through the hull at my ear.

Like the ancient Greeks, we never lost sight of land. But, gradually, we emigrated to another world. As the sails went up and the engine died, the sky turned violet above the canvas. Nomad families bobbed about in fishing boats. A procession of cargo ships ploughed furrows of snow on the horizon, moving steadily like targets in a shooting gallery.

The sea changed colour every hour, from blue to slate-grey to pea-soup green. Envious landsmen tried to shake us from our reverie: a helicopter from the Air-Sea Rescue, four jet fighters practising aerobatics, and a floating gin palace that came to shoot at us through telephoto lenses.

As night fell on the second day, the *Astrid* reached the Thames estuary, a grey and desolate expanse where old wartime fortifications reared out of the sea on stilts. A bell tolled from a nearby buoy as if announcing a funeral, and we anchored after midnight with a clank of chains loud enough to wake the dead.

We set sail again after a cold and sickly sunrise no brighter than the moon. The wind had risen and veered round to the west, so it was decided to tack up the Thames until the tide ran out. The crew passed several happy, hand-scraping hours leaping on to the ropes to bring the ship round with each change of course.

It was a long day's crawl from Southend up to Tilbury in readiness for the final morning's run to St Katherine's Dock by the Tower. You could feel the crew's spirits rising as the river narrowed and we rounded the corner at Woolwich to see the Thames Barrier. The sun broke through as we descended to Greenwich, and soon we could see the crowds waiting for us by Tower Bridge.

For ceremony's sake (and because someone knew someone) the bridge was raised to let the *Astrid* through and back again. The captain, Michael Kichenside, had to turn the ship round in a frighteningly narrow space beside HMS Belfast before squeezing her imperturbably into the dock and on to her temporary berth alongside another red lightship.

I cannot pretend that I felt no pride as I climbed ashore, face burned red by the wind and with four days' beard on my chin. I had been given an easy ride, protected by my ignorance and my observer status. But after days of enforced intimacy, I had become part of that crew. And I could not help pitying the pallid and envious office workers who lined the quayside – and to whose ranks I am now returned.

Trainee Beghia Grice at the wheel with skipper Mike Kichenside keeping watch nearby

History under a parking lot

Archaeologists are digging up old Boston. Gerald Cadogan reports

BOSTON is famed for beans, cod, culture, education and taciturn, rich families. It is also the historic source of American independence when Bostonians refused to obey the British, threw exorbitantly-taxed tea into the harbour (1773) and, at the Battle of Bunker Hill (1775), won the victory that led to the United States of America.

Hardly anything survives of the 17th/early-18th century city that John Winthrop founded in 1630, but now a massive road scheme has provided the chance to find old Boston. The elevated expressway that carves through the downtown area cannot cope with the traffic. So, it is being made bigger and better and will be sunk. That has allowed the archaeologists to have a look at an extraordinary site: the swathe cut through the city by interstate highway I-93 in 1955. The difficulties are mind-boggling. Digging has had to be confined to parking lots and traffic islands!

Above ground, little is left of colonial Boston because space has always been tight on the small Shawmut peninsula where Winthrop chose to settle. It had low hills and was reached by land by a narrow neck (now Washington St). Around were mud-flats. On the west, the Common sloped down to the Back Bay in the estuary of the Charles River. On the other side was the town of Cambridge and Harvard College (founded 1636).

Since Winthrop, the place has altered enormously in the effort to make more space. The hills have been lowered and the marshes reclaimed with landfill. The best-known of these is the Back Bay landfill (1847), which made ground for prosperous streets and squares. The original lots (a generous 48 by 115 ft) had soon been found too few for the number of aspiring property-owners. So, they were sub-divided and building raced ahead, spreading into backyards. In the 19th century, many of the surviving older houses were torn down to make way for four/five-storey buildings.

For the archaeology, the Massachusetts Department of Public Works has given an $850,000 contract to Boston University to undertake rescue digging in advance of the colossal I-93/I-90 Central Artery/Third Harbor Tunnel project. This is planned to relieve the worst traffic bottleneck in the north-east US; I-93, designed for a maximum 70,000 vehicles a day, now has 180,000 – and jams galore. It is quite as bad at the two tunnels going under the harbour to Logan Airport.

The new scheme will sink the north-south I-93 into a tunnel and make another harbour tunnel out to the airport. While it is being built, there will be major snarl-ups as 300-500 dump trucks a day shift earth round Boston.

The archaeologists' job is to find anything of old Boston in the path of the new road that might not have been disturbed by rebuildings or utility lines, or even by the present struts of the I-93. Their first task was enormous: to collate written information. But it was essential to do the homework to see what they were likely to be digging, down to the last square metre, before sending in back-hoes (JCBs) and jack-hammers (pneumatic drills) to open the trenches.

Working with the University's Center for Remote Sensing, they turned to a computer programme devised by the National Aeronautics and Space Administration (NASA) and combed maps and records for every scrap of evidence from 90 city blocks. The computer then used the information to make maps. On them, "overlays" were placed to show where the gas lines are, or which colonial sites had escaped from having basements dug down into their historic early levels.

Little appeared untouched by basements, I-93 struts and utilities as the diggers started to take the tarmac off the car parks beneath the expressway to see how successful (and, ultimately, time- and cost-effective) their mapping had been. These were digs to test whether any spots were worth full-scale excavation in a third (and final) phase. First, though, there was endless negotiation with city, state and federal bodies and the archaeologists had to rent space in the parking lots – and agree to restore them afterwards.

Parking lots are ideal to dig since the tarmac blanket protects the original street pattern. But it was grim, and cold. The light was bad under the expressway. Traffic noise never stopped and the struts vibrated continuously. Two tests had to stop when chemical dumps were found.

What has been discovered? The best results have been at the North End, originally a spur of the Shawmut peninsula. An aim of finding the old shoreline before the dam for the Mill Pond was made in 1640

'It was grim and cold and the traffic noise never stopped'

had the unexpected luck of coming on a wharf, dated by English imported pottery to the start of the 18th century.

A wharf in the pond of a tidal mill was a puzzle. But another look at the records found a Town Meeting in 1712 requesting the repair of the lock at the North Water Mill. So what had not been understood fully before is now clear: there continued to be port traffic on the Charles River side after the mill was made.

The main port was on the east side, in the Town Cove. There, the diggers have investigated the half-mile Long Wharf (1711) and its later and equally lengthy rival, the Central Wharf (1816). Both are now lost in landfill but they were vital parts of early Boston, exporting fish and wood to England and importing china and luxuries such as tea. Here, the only places that could be dug were the traffic islands in the middle of intersections.

Another test in the North End came on an original house lot, complete with a wood-lined privy that had been turned into a rubbish dump. It had over 1000 artefacts, including many shoes – perhaps a cobbler worked there? And pollen samples should show how the flora changed after the settlement, and what plants the settlers brought from England.

These may seem small gains but they are worth wider digging, as archaeology is the only way left to recover the early city of the founders of American independence. That might even spur the City of Boston to found a much-needed City Museum. In the meantime, you can get a bumper sticker that says: "I Dig the Artery Tunnel Project."

Angling

The very stuff of legend

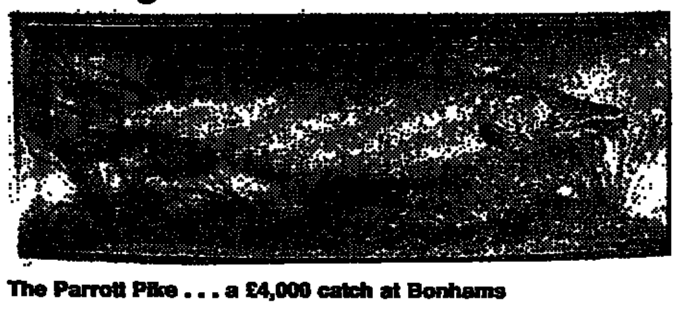
THESE days, it is not really sufficient for image-conscious sportsmen simply to pursue their chosen passion. To be considered a fully-rounded fanatic, and to achieve what one might call field credibility, it is almost obligatory to be a collector as well. Thus, the cricket-lover should have a few shelves of Wisdens, a brace or two of Spy cartoons, and a bat autographed by the 1934 Australians. The golf man should have acquired a set of Bernard Darwin first editions and Bobby Jones' hat. I'm not sure what the tennis enthusiast should display – perhaps a broken string from one of Helen Wills Moody's rackets or a sweatband discarded by Fred Perry.

I doubt if any sport has spawned more collectable baggage than angling. There is the tackle assembled by every self-respecting fisherman in quantities far greater than can be justified by need (much of it made to last long after the purchaser's passing). There are the stuffed fish and paintings, evidence of the endearing desire for a permanent memorial of that catch of a lifetime.

And, to satisfy the contemplative appetite, there are books by the thousand.

A couple of weeks ago, Bloomsbury Book Auctions sold a remarkable collection of 19th century volumes accumulated by a New York industrialist, Thomas Trueman Gaff (a pleasing name for an angler). He was obviously a man of eclectic taste as it included many rare first editions published on both sides of the Atlantic. To be honest, I must say that many of them with titles like Prose Halieutics, or Ancient and Modern Fish Tattle, or Angling Sports in Nine Piscatory Eclogues, do not inspire expectations of a gripping read. The golden age of angling writing did not dawn until the end of the 19th century and many early books, in their discursiveness and tedious whimsicality, are pretty hard going.

That is not to say I wouldn't have liked to snap up some, or all, of Gaff's library. But prices such as £320 for T. E. Pritt's Yorkshire Trout Flies (1885), and £260 for Henry Benedict Revoil's Shooting and Fishing in the Rivers, Prairies and Backwoods of North America, were a little above my limit.



The Parrott Pike . . . a £4,000 catch at Bonhams

The same could be said more forcibly about the recent sale at Bonhams of tackle, paintings, stuffed fish and other piscatoriana which realised a total of £110,000. The top price, £14,000, was paid for a startling painting by John Russell of a glistening giant of salmon, caught on the Deveron in 1877.

In the tackle section, the highest prices were, as usual, paid for Hardy reels. A Cascopedia multiplier fetched a fantastic £5,200 while an early Brass Perfect made £1,800.

Apart from the Russell, the top price for a painting was the £3,600 paid for a very pretty jumble of fish by Henry Rolfe, a thoroughly decent artist with a proper knowledge of his subject. But A. Roland Knight, who was represented by a hatful of works, is a another matter.

For one thing, he painted his fish in the water, making them visible in every particular. The effect of this is absurd. Nor do his fish look like fish. His "Whipping the Willows for Chub" shows an airborne creature of vast size which bears no resemblance whatever to a chub. This did not prevent it achieving a price of £1,800.

What I desired more than anything were some of the stuffed fish. True, some of them had suffered with the passage of time. A quartet of small carp looked as if they had been popped in the microwave, while a chub mounted among aquatic vegetation resembled a bloater half-hidden in hay. But others were simply splendid. I would have given much (but not the £1,800 it fetched) for a wicked 3 lb eel mounted by Cooper. And as for the masterpiece of the sale, the Parrott Pike, words almost fail me.

This beast, 1½ ft deep, 1 ft thick and 4 ft long, was caught by a London silk merchant named Parrott on the Dorset Stour on March 21, 1909, using a live roach as bait. It was described by someone who saw it on a fishmonger's slab before it was stuffed as immense and perfect, a description on which I cannot improve. It was bought early in the 1950s by a member of the Finchley Anglers for £2. At Bonhams, it fetched £4,000.

The only problem with owning such a magnificent object is how to display it. Such a fish, glaring from the wall and teeth glinting in the lamplight, must be somewhat inimical to social intercourse. I am told that the owner of the stuffed remains of one of the country's most famous fish, Richard Walker's record 44-pounder named Clarissa, is facing such a difficulty. His wife, oppressed by Clarissa's massive presence, has told him that either her rival goes or she does. I believe he is still thinking about it.

Tom Fort

Food for Thought

Don't sniff at decent vinegar

NOW IS THE season when lots of us are taking our cars across the Channel. The great temptation is not to bother with packing because, essentially, packing is a process of selection and exclusion and, with a whole car to fill, there is no reason not to take everything. Even the barometer in the hall might come in handy, so in it goes.

But everybody leaves enough room for a good supermarket shop on the way home. The Mammouth at Calais, Auchan at Boulogne, the Carrefour at Compiegne; space must be kept in the boot for them as surely as a couple of hours must be scheduled for the visit.

Time was, in the full flood of manic Francophilia, when I stocked up everything in this way. I don't mean washing-up liquid and lavatory paper but everything else – sugar, matches, string – was bought in these shops. Nowadays, the list has got shorter.

There are some things that can be obtained in Britain as rather highly-priced speciality items in small, expensive packages which a French grocer treats as commodities to be dealt with cheaply in large amounts. First among these, in my view, is vinegar.

You can buy gallon-size *bidons* of vinegar in British shops. But I'm afraid it is malt vinegar, or spirit vinegar, which is great for bringing up the mahogany dining table after people have put their fingers on it but has no culinary uses as far as I can see.

It sits in containers on the counter at the fish and chip shop and a lot of customers shake it vigorously into the bag, rendering the crisp contents soggy as well as quite acridly sour.

Wine vinegar – the only kind which is of any use in the kitchen or on the table for human consumption – is sold in Britain in little bottles – about the size of half a wine bottle – which must last about a day in the average household. A French supermarket sells wine vinegar, red or white, in plastic magnums for a few francs only.

Vinegar doesn't keep forever, I know. What it loses over time is its freshness, and freshness is what it's for. Since vinegar is a wonderful preservative of food, it could be that its preservative role is fixed in your mind. If so, you associate it with rather ancient pickled onions tasting of dust. But one of the uses of vinegar, like lemon juice, is to provide a refreshing, acid taste.

How weary and stale gazpacho would be without its cupful of wine vinegar. A green salad with no vinegar is almost as bad as one with too much. Why is it that something which provides a refreshing taste in small to moderate quantities tastes so stale and sour when you use a little bit more? I suppose the answer lies in its preservative qualities. Most of the things we associate with a strong vinegar taste are things which have lurked long in the pickle jar, and the vinegar flavour replaces the freshness which they had once.

To concentrate the mind on this problem, think about oysters. I have never been one to fiddle about with tabasco and stuff like that: if I could have only one more oyster before I die, I guess it would have a thread of lemon juice, perhaps a turn of the pepper mill. But one thing on which French and English restaurateurs agree is that, with a plate of oysters, there should be a little dish of shallot vinegar, or white wine vinegar with a shallot chopped

or mashed in it.

A teaspoonful of this mix refreshes an oyster no end; particularly at the Butlay Oysterage in Orford, Suffolk, where the oysters are as good as only oysters eaten within sight of their beds can be, but where whoever opens them seems to throw away the liquor, leaving the creature like a beached whale on the half-shell. Here is vinegar doing the job at which it is especially good. But oysters in vinegar - pickled oysters? Forget it.

I suppose that the sudden flowering of raspberry vinegar – which, like slices of kiwi fruit, marked the high noon of the nouvelle cuisine about 10 years ago – was, in its vogue-bound and novelty-hunting way, an attempt to restore vinegar's role as a lightener and freshener after its years of languishing in the pickle-jar. What has happened to raspberry vinegar now?

What has taken its place as the vinegar of today is Italian balsamic vinegar – *aceto balsamico di Modena* – which is a mysterious substance because it tastes of, and seems to contain, balsam (if you imagine the thing which is common to the Friar's Balsam that you inhale when you're congested).

Those cunning folks from Modena (who brought you the Ferrari) seem to have made this clever stuff which everybody wants with their artichokes served whole and their virgin olive oil. I suppose its balsamic quality is due to some trick in the vinegar-making process, rather than to the later addition of balsam. It is built in.

One of the finest dishes in which vinegar plays its starring role is a *poulet au vinaigre* which used to be (perhaps still is) one of the specialities of M. Gaertner's Armes de France at Ammerschwihr in Alsace. This is a fairly standard fricassee of cut-up chicken but, after browning the pieces in butter, the pan is de-glazed with equal quantities of white wine and vinegar. A judicious hand is needed to balance the two and M. Gaertner has such a hand, I am glad to say.

In her beautiful book *The Cuisine of the Rose*, Mireille Johnston claims that chicken in vinegar is a Burgurdian dish; but I doubt if M. Gaertner would agree, besides which it can be had quite widely in France (although it can be rather repellent if the hand that administers the vinegar is a bit heavy, as mine has been, sometimes).

There is a much wider range of vinegar in the shops than there used to be: as well as red wine, white wine, malt, spirit and balsamic there is cider vinegar, which some people believe to be blessed with extraordinary powers; and there is sherry vinegar, which suffered rather from a burst of fashion rather like raspberry but is now holding its own despite its rather high price.

Which brings us back to French supermarkets.

Quoting the words of the prophet Mohammed can be a dodgy business these days, but here goes : "If there is no vinegar in a house, it is a sin: there is no blessing, neither."

Peter Lewis

Lucia van der Post — with help from a young friend — picks summer frocks for sweet 16s and also looks at useful gadgets for travellers

School's out — hurrah for the hols!

IT'S THE end of term. Britain is basking in the best summer for years. GCSE's and A-levels are just a nasty memory. All over the country it's party time for the young and newly homework-free. Out in the country marquees are going up, caterers are working at full stretch, "bouncy castles"* and roulette wheels are being hired, and party dresses are being freshened-up, run-up or recycled.

My insider information on the young party front comes from 16-year-old Martha Lane Fox, who has just finished her GCSE's at Oxford High School and is about to go to London's Westminster School to take her A-levels.

She and her friends would mostly expect to pay between £20 and £30 a time on a party frock, which means that lots of ingenuity is called for. The look this summer is above all short and slinky. Romantic drifts of chiffon seem either to cost too much or present the wrong kind of image. Black is most popular, largely because it is less memorable than, say, pillar-box red, and can be recycled endless numbers of ways.

Martha says that at these prices she can't afford to be too fussy about the fabric, so cut and shape are what she looks for. She keeps an eye on charity outlets and second-hand shops, as they have come up trumps in the past. For example, she has a very nice short black skirt with a low waist, with little coppery, silvery butterflies on it. She wears that with different tops and a thick belt

Plain dresses can always be dressed up in many ways — sometimes with a hat, sometimes with long, black velvet gloves. Jewellery makes a big difference, too. "I love antique-y brooches," says Martha. "My godmother gave me a wonderful Butler & Wilson brooch with a star, which immediately makes the dress look different.

"One girlfriend transformed her black dress by adding a fringe of what looked like lampshade tasselling in black on the bottom of the skirt. Another time she added tasselling in red. Each time it looked very 20s, and completely different. A lot of dyeing goes on — this year purple seems to be the in colour. Netting under the skirts also gives a different look, or you can cut off sleeves or turn long skirts into short. Another friend kept the top of one of her dresses, cut off the skirt and then wrapped a great silky scarf round to act as a skirt. Waistcoats are another good way of updating an outfit and Kensington Market always has lots of good second-hand ones.

"The shops that we tend to look in first, after the second-hand and charity shops, would be Miss Selfridge, Monsoon and sometimes Hennes. I'm lucky because in Oxford there are lots of smallish boutiques that understand about small budgets."

Nicolette Sisdell

A trio of party looks, all from that haven for the young, fashionable and impecunious, Miss Selfridge and branches. Left, an eye-catching, short, red ruched dress with buttons all the way down the front. Sizes 10-14, £24.99. Also available in black or copper. Right: a daring, tight black lycra dress (strictly for the slim and over-confident) with tassels around the hem. £21.99. Also in red. Middle: "silky" wide-legged black trousers, can be worn with lots of different tops. £16.99. Worn with it is a close-fitting bra-top with shirred back, in orange cotton (or white, red or turquoise), £15.99.

For those who are young and on tight budgets and who are looking for partyish looks to see them through the summer, here are some of the ideas Martha found on a trawl through some of the big chains this week:

■ Monsoon shops have cummerbunds for £7.95 in a whole variety of colours. They would look good with anything plain and serve that eminently useful function of bridging tops and bottoms.

■ Amazon, 3 Kensington Church Street, London, W8, is not part of a chain but is a good, regular source of relatively inexpensive costume jewellery. At the moment there is lots of "gold" and brass and bronze which give a lot of pizzazz for the money. There are also some good silky sarongs at £7.50 each — Martha especially liked a bright, emerald-green one. These could be tied like a skirt and worn with a plain black top, or tied over and round a plain black dress.

■ Stefanel stocks a short, cropped shirt-cum-jacket in plain black or black with white spots for £21.90 which could be worn over the top of a plain black dress to make it look like something new.

■ Warehouse has a sale on at the moment and is a good place to look for nice embroidered belts — a purple one in particular caught Martha's eye. The sale price is £5, but hurry because they're selling fast.

■ Jigsaw has some eminently slinky, short, tight dresses which cross over at the front. In black, purple, navy blue or red, they capture this summer's look perfectly. Price £32.

■ At Miss Selfridge there's a black, silky dress with a short but slightly flared skirt — perfect for those who don't want to wear tight, thigh-revealing tubes. It has very thin straps (Miss Selfridge is very good at selling the right bra along with the dresses — either strapless or cutaway ones which can be worn with cutaway dresses) which could be cut off later to turn it into a strapless version. At £25.99 it looked like a good buy to Martha. It also comes in red, mustard or green. There's also a good purple dress, completely plain at the front and with a very low, plain back, for £14.99.

■ Hennes also has a sale on and at the moment has some fun silky dresses, in a good green or pink, reduced from £29.99 to £19.99. They're completely plain, short and tight.

*"Bouncy castles," for those who haven't yet come across this current party essential, are inflatable rubber contraptions on which everybody from children to sexagenarians bounce up and down — I have seen it with my own eyes. Many organisations including some local authorities rent them out — Londoners could try Oscar's Den, 127-129 Abbey Road, NW6 (tel: 01-328-6683) which charges £35 plus VAT if you collect it, £45 plus VAT if it is delivered.

THERE ARE those for whom happy hols means nice, predictable, safe places in which every mortal need can be catered for by the nearby shops. Then there are those whose idea of heaven is to set off for lonely places, for bush or desert, island, loch or mountain, where shops have been heard of but are not much in evidence, where everything they need they had better take themselves, and where being well-prepared is more than just a motto and more like an essential to survival.

If you are going to the kind of places where having the proper equipment REALLY matters, you should find almost everything you need in The Survival Catalogue: from proper safari cotton shirts (though these, at £34.95, seem expensive to me) to electrical adaptors, soft suede desert boots, mosquito nets, water purifying tablets, waterproof binoculars and lots more.

This is the *serious* traveller's catalogue, full of compasses and pedometers, money belts and safety flares, silk longjohns for those heading for Antarctica and, for those aiming for the jungle, garters to put round trouser bottoms to keep out insects, leeches and dust. However, even those going no further than Benidorm will find it a useful one-stop source for things like vacuum flasks and torches, insect repellant and flight bags.

No English gentleman in times gone by ever faced a foreign sun without a perfectly plain classic Panama hat — the sort with the ridge that folds down the middle. These days they aren't easy to find, but Survival Aids sells them at £19.95 a time. There is an efficient mail order service and there are also two shops, one at West Colonnade, Euston Station, London, NW1 2DY and the other at Morland, Penrith, Cumbria. For the catalogue write to Survival Aids Limited, Morland, Penrith, Cumbria, CA10 3AZ.

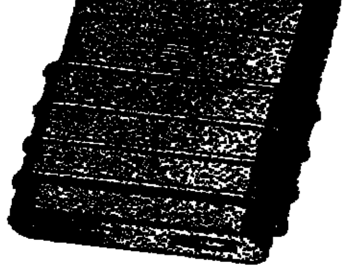
THE traveller's radio has for years been one or other of Sony's designs — in the bush, on the beach, in the desert, up the mountain, those who like to keep in touch have longed tuned in to one or other of Sony's famous radios.

Sony claims that its latest model (serial no. 1C7 SW1E) is the smallest short-wave radio. It is the size of a tape cassette, comes in its own natty case with a handle and will give you FM, W, LW, and SW reception. FM stereo can be listened to with headphones. It costs £250 from Harrods (mail order available).

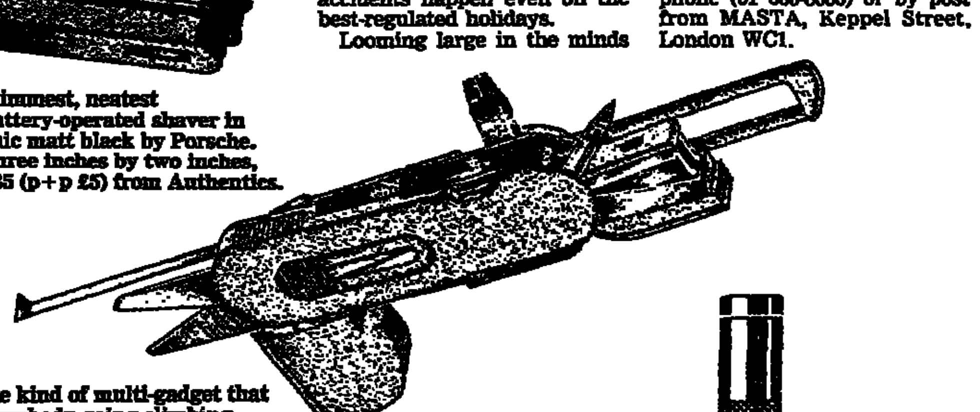
Medical dangers are not what they were. Inoculations and protective injections may have removed the sting of all those fevers that laid low the grand travellers of old — cholera, yellow fever *et al* — but accidents happen even on the best-regulated holidays.

Looming large in the minds of those who go to places that top medical equipment doesn't reach is the fear of needing injections, stitches or even surgery in countries where Aids and hepatitis B is rife. If this worries you, take your own pack of sterile syringes with needles, antiseptic swabs, dressings and thread for sutures. Survival Aids sells four different first aid kits and the Aids Prevention Kit costs just £9.95.

The London Hospital of Hygiene and Tropical Medicine sells a pack which has three syringes, 10 needles, suture material, drip needles, steristrips, melolin dressings, alcohol swabs, a label to list your blood group, a first aid leaflet and full instructions, all for £12. With a credit card (Access, Visa) you can order by telephone (01 636-8636) or by post from MASTA, Keppel Street, London WC1.

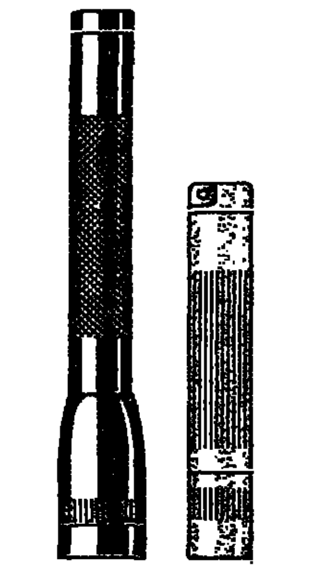


Slimmest, neatest battery-operated shaver in chic matt black by Porsche. Three inches by two inches, £35 (p+p £5) from Authentics.

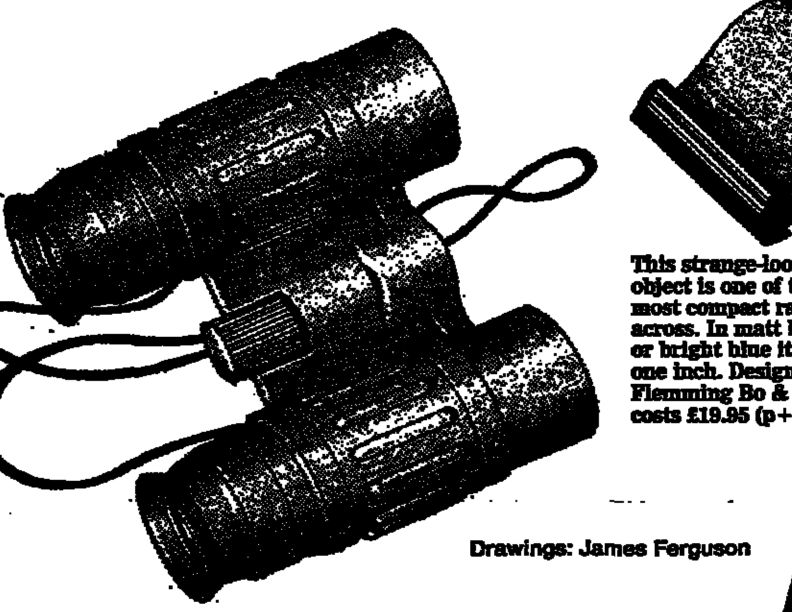


The kind of multi-gadget that everybody going climbing, walking or on safari off the beaten track should take with them. Called the Factory — because it does so much — it was designed by The Plus Corporation Design Team. A combination of bottle opener, magnifying glass, stapler, staple remover, hole punch, tape measure, scissors, and lots, lots more, it is £24.95 (p+p £2.50) from Authentics.

This strange-looking curved object is one of the neatest, most compact razors I've come across. In matt black, silver or bright blue it measures just one inch. Designed by Flemming Bo & Hansen, it costs £19.95 (p+p £1.50).



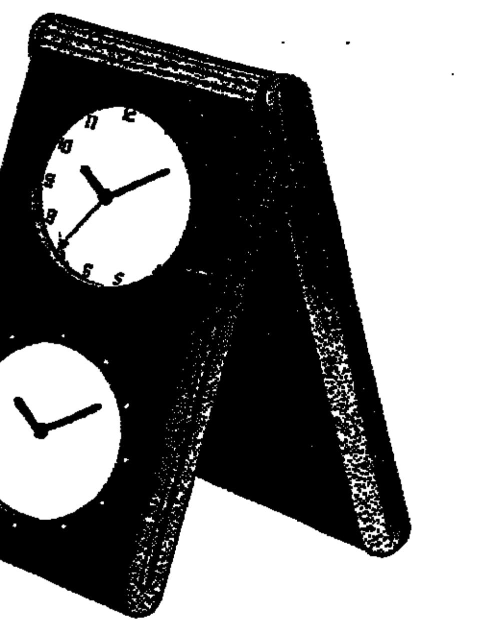
Tiny, slim Maglite torches, in silver or black. The larger, seven inches long, takes AA batteries and costs £15.95; the smaller, just five inches long, is £13.95 and takes battery size AAA.



Drawings: James Ferguson

Binoculars add enormously to the enjoyment of almost any holiday but they are not easy to choose unless you do your homework first. The khaki-coloured pair sketched here are 8 x 25, are designed by Oliver Gowers and sell for £79.95 (post and packing £3.50) from Authentics, 42, Shelton Street, London WC2.

Remember that the first number refers to the number of times the image will be magnified, and the second number gives you the diameter (in millimetres) of the lens. As a rule of thumb, the larger the lens, the brighter the image. Some of the most effective binoculars are quite heavy and, personally, when on safari or out walking, I prefer something marginally less effective but lighter to carry around the neck. These weigh just 250 grams.



Don't miss the market close in far-flung parts of the world, or the special anniversaries back home while you're away. This matt black, flat-folding quartz clock by Takenobu Igarashi keeps time in two different zones. When folded it measures just 7 in by 2½ in and sells for £114 (p+p £3.50) from Authentics.

Cookery

Not a stain on their character

MOST SUMMERS start with a scarlet trickle of strawberries that grows gradually to a stream. Then gooseberries begin. Raspberries follow and, in their turn, loganberries, tayberries, blueberries, cherries and red, white and black currants.

This year, everything has come in one glorious torrent. That means these fruits are likely to be over all too soon, so it makes greedy good sense to indulge in a feast of summer puddings while we can.

The eponymous Summer Pudding, crimson-stained with its classic mixture of raspberries and red currants, is probably queen of them all, but I admit to a weakness for a variation on the theme that I call **Welsh Raspberry and Red Currant Pudding**. This is a personal adaptation of an admirably simple Welsh farmstead pudding that is made traditionally with a handful of wild blackberries and a thick slice or two of stale bread for each person.

Welsh Raspberry and Red Currant Pudding is much quicker to make than a classic Summer Pudding. No jigsaw puzzle lining of a pudding basin is involved, no weighting down of the pudding overnight, no tremulous moment of unmoulding. This pudding is tailor-made for the busy and impatient, as it is best made just before mealtime so that the fruit is still slightly warm and fragrant when served.

To make it you need one inch-thick slices of really good bread. It should be stale and dry. If, like me, you fail to bake or shop sufficiently far ahead for your loaf to stale of its own accord, speed up the process by cutting fresh bread into cubes and spreading them out on a baking tray. Leave in a sunny spot, in a warm kitchen or the airing cupboard for an hour or two, just turning the cubes occasionally, until the bread is somewhat dessicated.

Put 1¼ lb or so of raspberries and red currants into a shallow pan containing a tablespoon or two of cold water. Sprinkle a little sugar between layers. Cover and place over a low flame until the fruit is warm and tender and the scarlet juices are flowing freely. To keep the fruit in good shape — and to minimise the risk of over-cooking — use a very shallow pan and very low heat and shake the pan, rather than stir the contents, occasionally during cooking.

When the fruit is ready, slide the contents of the pan into a sieve placed over a bowl to separate fruit and juices. Taste the juices and add extra sugar, or maybe a squeeze of lemon or orange juice. Drop the well-staled cubes of bread into the juices and toss quickly to stain and flavour them.

Pile half the bread onto a flat serving dish. Scatter with half the berries. Then, add the rest of the bread and finish with the remaining berries. In a Welsh farmstead, a pudding like this might have been served with buttermilk. I prefer to crown it with a dollop of creamy Greek yoghurt or crème fraîche.

To make crème fraîche, stir together ½ pt double cream and ¼ pt buttermilk in a small pan. Warm to 90 F. Pour the mixture into a bowl that has been rinsed out with hot water. Cover and leave to incubate in an airing cupboard for 6-8 hours until ripened and thickened. Then, chill in the fridge. Crème fraîche will keep for several days and can be made with a mixture of double cream and soured cream if buttermilk is unavailable.

The opal beauty of white currants and their more delicate taste make an elegant alternative to red currants in many dishes (white currants are albino red currants), but red currants bring out the jewel thief in me. There is something obsessive about picking them. I am incapable of passing a bush without stripping it of far more of those brilliant scarlet beads than I need for cooking.

What better use for these surplus pickings than to turn them into frosted red currants. Holding large sprigs of red currants by the stalk, dip them into raw, unbeaten egg white to moisten them, then swish them to and fro across a plate of caster sugar.

When powdered, put them to dry at room temperature on a cake cooling rack lined with greaseproof paper. Within an hour, the sugar will harden to a sparkling crystalline frost. These are delicious to bite into.

Use frosted red currants to decorate ice-creams and cakes, serve them as sweetmeats in lieu of petits fours, or have them for dessert with something creamy to dip them into — coeur a la crême, petits Suisses or crème fraîche. The only vice of raspberries and red currants is the pips, but this seems to me a minor peccadillo if the cook remembers always to bring toothpicks to the table when serving these fruits.

Black currants seem to have a higher ratio of flesh to seed. They have never held quite the same charm for me as red and white currants, but the intense aroma that lies in the leaves has always delighted the Scot in me and I find it hard to imagine a more thrifty delicacy than black currant sorbet (or glace a la Russe, as it is called sometimes).

I also admit a considerable partiality for kir, the fragrant summer drink of chilled white burgundy laced with a splash of black currant liqueur. So, I was pleased to come across this recipe for making black currant liqueur in *A Little French Cookbook* by Janet Laurence (just published by Appletree Press at £3.50), a pocket-size publication designed nicely for the gift market.

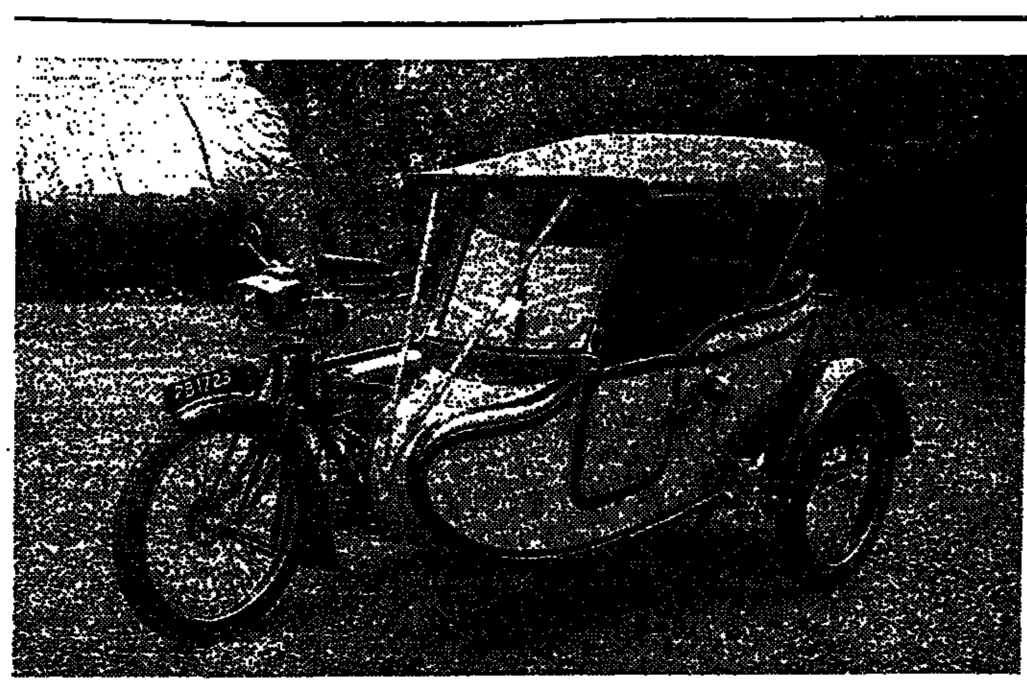
CREME DE CASSIS

About 1¼ lb black currants (stalks removed, washed); 4 cloves; 1 cinnamon stick; about 1¼ pt eau de vie (or vodka); sugar.

Place the prepared black currants in a large glass jar. Add the cloves and cinnamon. Cover with spirit, shake well and leave to infuse for at least two months. Give the jar a good shake from time to time. When well-flavoured, strain off the liquid. For every ¾ pt of liquid, stir in ¾ lb sugar, mixing until dissolved. Bottle and drink as liqueur, use for kir, pour over ice-cream, or use to flavour desserts.

Philippa Davenport

ARTS



A 1920 Triumph Model 'H' 550cc motorcycle combination: Peter de Savary paid a record £27,500

Saleroom

Cars to cut a dash

THE LEADING auction houses – Sotheby's, Christie's and Phillips – have so polished up their image in recent years that few would mistake them for secondhand car salesmen: but that is exactly what they are. In their constant search for new markets, the disposal of vintage and classic cars has proved a rich and rewarding business.

Last week Phillips held a select sale at the Brooklands Museum in Weybridge; this week Sotheby's brought in over £2m from an auction in the grounds of the Honourable Artillery Company in the City; and on Monday Christie's is having its annual summer sale at the National Motor Museum in Beaulieu. But auctions are also regularly held in Monte Carlo and New York and Los Angeles, for cars have that key attraction so beloved by the salerooms: they have an international appeal.

They are also likely to be bought by a group that has, in the main, resisted all the blandishments of the salerooms to collect fine antiques – the new rich. Once a man, or woman, has made a fortune their thoughts lightly turn to owning a rather special car. Often it is the car they lusted after in their youth, which accounts for the sudden explosion in price of cars of the 1960s. At Phillips a 1963 Aston Martin DB5 saloon sold for £104,500, while Jaguar E Type V12s of the early 1970s have doubled their value in less than a year to approaching £100,000. Some of the recent racing success of Jaguar has rubbed off on the earlier generation.

The auction houses see a lot of new buyers shopping for that distinctive status symbol. They must select carefully. The car market is fraught with pitfalls. The salerooms turn down up to 70 per cent of the cars they are offered: only the rarest and the best are marketable. There is already a problem with counterfeiting. Prices have jumped so rapidly that modern parts have often been added to old bodies and only an expert eye can tell the difference.

But while most of the cars are sold to rich enthusiasts who want a vehicle they can cut a dash in, there are still the serious collectors – and now the dreaded investors. Much money has been made in the last three years from speculators who have bought wisely, garaged and restored the vehicle, and then sold on quickly. For there is no Capital Gains Tax to be paid on classic cars and they can also be bought as company vehicles. No one in the trade expects these two financial advantages to be removed in the short term and as long as the economy does not falter prices should continue to rise.

But fashion is fickle. Last year Ferraris were all the rage, but supply has over-whelmed demand and their price is now levelling off. Sotheby's failed on Monday to find a buyer for a 1965 500 Superfast coupé, one of only 24 made. Its owner wanted around £500,000 for it (high reserves demanded by vendors are a perpetual headache for the salerooms), and in the event the best bid was an unsuccessful £400,000. A 1974 Ferrari, known as the Boxer and once owned by Peter de Savary, also failed to go. Some cooling down in price for Ferraris was inevitable. A 1967 275 GTB/4 CAM, which cost just over £7,000 new and less than half that six years later, was selling for £21,000 in 1982 and £450,000 in 1988.

Another, more homely, example of an appreciation which would leave most art investors gasping is offered by the 1947 MG TC. In 1972 it was worth just £1,000; by 1982 this had risen to £4,000; it then doubled to £8,000 in 1986; and this year a model in good condition could go for £11,000.

Top price at Sotheby's on Monday was the £231,000 paid by Eddie Shah, one of the new

Classic cars are sought as status symbols, says Antony Thorncroft

breed of serious collectors. He acquired a 1927 Bentley 6½ litre all weather tourer, and will have to spend much money making it perfect. He also added a 1934 Bentley 3½ litre four door saloon, once owned by Sir Malcolm Campbell, for £51,700. This is a quite different type of buying from that of the nouveau riche, who wants a car to drive flashily and easily, with no worries about breakdowns. It is the demand of connoisseurs, obsessed with the history of the motor car, members of owners clubs who concentrate on just one favoured marque, and swop long stories and small spare parts.

There is a well defined pecking order at the top, with three makes of car commanding the highest prices internationally – the Mercedes, from the 1890s onwards; the Bugattis of between 1909 and 1946; and Ferraris in the post War period. It is a Bugatti, a 1931 Type 41 Royale, which holds the auction record, one being sold by Christie's in 1987 for £5.5m. It has reputedly changed hands privately since for £8m.

The next level down involves Bentleys, Rolls Royces, Aston Martins, Masserattis, Lagondas, Alfa Romeos and Jaguars. It is noticeable that American cars do not feature. They have a keen native following in the US, where Duesenburgs of the 1930s can top £1m, but most serious European and Far Eastern collectors see cars as beautiful works of art, as poetic internally as externally, while American cars have always concentrated on comfort and line, and appeal to a different type of buyer.

The one area of the market to show little price appreciation is the real vintage car of the Geneviève era. At Sotheby's Sterling Moss bought a quintessential example for just £19,800: an Allen 7½ hp runabout of around 1898, perhaps the only car ever made by the New York carriage builder, Edgar Allen. It will probably make Brighton at a steady 25 mph.

Christie's has a similar old war horse on offer at Beaulieu – a Benz Duc Victoria of around 1900, which has remained in one family since new. It is in perfect condition, and that, perhaps helped by the fact that it carries an MOT licence, should ensure bids over £50,000. More typical of current demand on offer is a 1959 Aston Martin DB Mark III drophead coupé, one of only 84 examples made, which should approach £200,000. Aston Martins have taken over from Ferraris as the current hot car.

The classic car market is now worth over £1b a year internationally, and supports a very flourishing restoration and engineering business. Along with the rich entrepreneurs, the traditional collectors, the dealers and speculators there is one other important group of buyers at auction – the restorers. Sotheby's quotes a typical example of a 1950s Bentley Mark 6 which was in very poor shape when sold at auction in 1986 for £2,500. Two months ago, fully restored, it made £11,000.

The fact that Japanese and American collectors compete with Europeans and British for the top models should keep the classic car market healthy, and various marques (Lamborghini on the international market, Bristol at home) seem under priced at the moment. But all the hidden extras of insurance, *repair and maintenance*, and storage, on top of the hazards of buying a pup, means that any newcomer should take the best professional advice.

Designer jumble in a maze

Our critics ask just what the new Design Museum in Docklands is trying to be: an outpost of the V&A or a changing exhibition of new products with commercial interest?

ARCHITECTURE is all very well, but in the end a museum is no more nor less than what it contains. The extended prologue conducted by Stephen Bayley in the Boilerhouse at the V&A has given us a very good idea of what to expect of the Design Museum under his direction. His difficulty is that Design has become essentially a polemical issue, to be actively promoted by the right-minded in the face of the sceptical indifference of the generality.

The very idea of "Good Design" lies at the heart of the problem. We are perfectly happy to look at most things, flocking to collections of old steam engines, pianos, wirelesses, cigarette cards, biscuit tins or whatever with every sense of genuine interest and enjoyment. "Ooh," we say, "we used to have one just like that." But when, suddenly, Granny's old brown teapot is discovered as something more than useful and familiar, but positively "good," we do tend to purse the lips rather, and raise an eyebrow or two.

If the power of design to affect our lives is clear enough, the importance of good design should be self-evident. This opportunity is afforded the Study Collection on the top floor, and Review, a rolling display of new products and prototypes on the floor below. But always there is this earnest desire to proselytise, to analyse the object, whatever it is, in its "social, technological, commercial, aesthetic and economic context." The trick, perhaps, is not to protest too much.

Commerce and Culture, the inaugural special exhibition (until October 15), is a dense polemic on the relation proposed by the title. Where does art end and commerce begin? Is high art vitiated by commerce, or merely adapted and no harm done? In a commercial culture, how powerful and extensive may the cultural reference be? Such are the fascinating contradictions and ironical possibilities in such a subject. The pity is that irony requires the lightest touch, and here so much of it remains unconscious.

We begin with a full-scale reproduction of the great Watteau of the picture dealer's shop, "l'Enseigne de Gersaint" (1721), "created," we are told, "not as a work of art to hang in a museum but as a shopkeeper's sign." The fact is that it was, and is, a work of art, wherever it has been hung. For all that, the questions are addressed: what are our standards; what the effect of intention; what the relation between original and the mechanical reproduction; what precisely the shift between stylistic reference and pastiche? When anything goes by way of reference and appropriation, what remains of authenticity?

So we go through the several sections of the show, through the "Bon Marche" as museum, and the museum as department store, through architecture and urbanism, the cult of the designer and the aesthetics of the product – Coca-Cola as universal icon. These are deep waters, made deeper by the distinguished contributors to the nonetheless useful catalogue. "There is no way out of the game of culture," writes Professor Bourdieu of the College de France, "and one's only chance of objectifying the true nature of the game is to objectify as fully as possible the very operations which one is obliged to use in order to achieve that objectification." Indeed.

William Packer

IT IS very clear that Mrs Thatcher does not have time to watch television. If she did, she would have saved herself from making a pardonable *faux pas* at the Design Museum's opening dinner. She was expressing her disappointment at the almost total absence of British goods from the first exhibition. "I would like to have seen some British cars, you (Sir Terence Conran) should ask Jaguar to lend you one – I'm sure they would." If she had watched Sir Terence judging the BBC Design Awards, she would have heard his diatribe against the latest Jaguar. Having made routine remarks about the high quality of its engineering, Sir Terence saved his purist fury for the interior of the Jag: "It looks like a 1940's sitting room."

Sir Terence Conran (the founder) and Mr Stephen Bayley (the director) would rather die than see the Jaguar, with its leather seats and walnut dashboard, in their white temple on the Thames which houses the Design Museum. If the Jaguar crept in at all, it would be in one of the sections of the opening exhibition devoted to bad examples.

Perhaps the Prime Minister is more subtle than she appears. Was she really saying "Look here, Terence, design is much more complicated and catholic than you think. The Bauhaus has made you think that everything is just black and white, good or bad, depending entirely on how well the design reflects the function. I am very happy driving down the M.1 in my comfy Jag. Porsches for courses, Terry, there's more to driving than just getting from A to B. And what's all this about calling your Design place a museum. The last thing this country needs is another museum. I thought when I asked the Department of Trade and Industry and Enterprise to give you an intitial grant that you were going to be the privatised Design Centre in a booming Docklands, showing us how important design is if we are to beat the Japanese and the Germans in the market place."

The problem with the new Design Museum is a philosophical one. It is not just a question of the differences in taste between the founder of Habitat and the owner of a neo-Georgian house in Dulwich. It is a more fundamental question – does the Design Museum know what it is? It seems to us that it should really have been the 20th-century out station of the V&A. It could then have been much bigger and housed all the unshown design and decorative arts material from the V&A stores and put contemporary design into a longer and more serious and scholarly perspective. Others will feel that it should just be a changing exhibition of new products – linked to a trade centre.

A serious "museum" of 20th-century art and design is needed, but it needs to be catholic and comprehensive. It needs to put the idea of design and production into a highly complex and serious context. The first exhibition at the Design Museum, *Commerce and Culture*, seemed to me to be so utterly confusing that I really had absolutely no idea what it was about. Somewhere in the exhibition there are some ideas about the connection between trade and design, but it was like wandering round a jumble sale in a maze.

What happened to exhibition design? What happened to communicating ideas to the public in a comprehensible way? What happened to orderly argument and clear thinking based on thorough knowledge? Slogans and muddle do not help the cause of visual literacy. This first exhibition is absurd – perhaps it was meant as a joke?

Colin Amery

Exhibits being installed at the new Design Museum

Buy the best you can afford

***Robin Duthy** looks for bargains (on paper only) in the saleroom*

AN ARTIST'S best work rises in value faster than his worst. At least, that is what art market people always claim, hence the basically sound advice they give about buying the best you can afford. But if outstanding works by a favourite artist rarely come on the market, you should seize what you can in the hope of trading up later.

Such was the case with a black chalk drawing of a girl combing her hair I "bought" for £18,700 at Sotheby's Old Master Drawings sale last Monday. It was by Alessandro di Cristofano Allori (1535-1607) and may have been drawn at the time he frescoed the ceiling of a loggia in the Palazzo Pitti with views of women washing *and combing their hair*.

It was not in good condition, Sotheby's warned me. There was also said to be an awkwardness in the way the girl's arm joined her body, but it was suggested that this might be a deliberate distortion and that when viewed in the final fresco from afar the perspective would have corrected itself. The heavy shading in the lower back area was also uncharacteristic, and there was a hint that it might have been worked on by a later, less gifted hand. But for these defects, Sotheby's pointed out the drawing would be worth at least £100,000.

With all its "problems," this drawing at £18,700 was a snip. The girl comes across as intelligent, and of course pretty in a vixenly sort of way, and there is lightness and movement in the way she is turning, as though in answer to a question. Moreover, it was owned by the late Lord Clark of Saltwood whose eye was highly regarded. Though its problems put it slightly outside the usual art investment guidelines, I expect the rarity of Allori – only ten drawings sold in the last five years – and the attractiveness of the image to make it a fine investment.

★

Also last Monday, I "bought" for £650 at Christie's sale of Continental Ceramics three Strasbourg plates painted by Paul Hannong in about 1750. Until it closed at the end of the 18th century, the Strasbourg factory produced popular tinglazed earthenware or "faience," painted with flowers taken from 16th century woodcuts.

Usually regarded as porcelain's country cousin, faience is less expensive, though it can be decorated with great artistry. Plenty of plates have flowers painted on them, but the charm of these Strasbourg wares is the way the peonies and tulips seem to roam freely over the surface while the smaller flower sprays sometimes used to cover firing marks are arranged in a loose balance. The design was widely copied but nowhere equalled – at Niderviller and Luneville for example.

These plates belong to the neglected lower end of the ceramics market. Though they might well fetch twice as much in France today, their value in Britain has barely moved in five years. The attention in many art-related markets has been focussed on the rare, but I expect the merits of these lowlier wares to be recognised and their value to start climbing before long.

★

At Christie's sale of Impressionist and Modern Paintings on June 27 I "bought" a seascape by the Belgian artist Leon Spilliaert (1881-1946) done in a mesmerising palette of blues and yellows. Though influenced by Redon, Khnopff and other Symbolists, Spilliaert produces none of that creepy occult feeling that for me taints so much Symbolist painting. The scene is mysterious without being mystical, and though the artist's solitary nature is evident it is also a celebration of beauty.

I estimate that Spilliaert's prices at auction have climbed byjust 75 per cent since 1975. He is a serious and original artist whose work is little known outside Belgium and could now rise in value fast. Twenty of his haunting works are to be seen at Entwistle, 37 Old Bond Street, London WI until July 14.

Girl combing her hair by Alessandro di Cristofano Allori

Pink Floyd in Docklands

LONDON NEEDS a large central venue for concerts as badly as it needs a cheap, efficient, streamlined transport system. Instead it has got the London Arena in Docklands.

A better transport network might increase the appeal of the Arena slightly – getting there is an initiative test that is likely to flumux all but the most optimistic. But on a warm summer night being lost on the Isle of Dogs at least offers a sense of creative adventure: you feel you have entered an Antonioni film at its modern high-tech end, and ventured into an Ealing comedy among the neat rows of terrace houses where the old community hangs on regardless.

The final, sudden, arrival at the Arena is a bitter disappointment. This hermetically sealed aluminium packing case of a hall treats the customer like a battery hen, packed to the roof without air conditioning and without hope of escape from a blaze – the notices forbidding smoking in the auditorium are studiously ignored. Most frightening of all are the narrow spaces leading to the exits where the thousands push in conflicting directions, like so many pressurised sheep.

Well, that's a Pink Floyd audience for you. Oddly enough, the theatrical box of technological tricks programmed by that trio of unregenerate hippies rather suits the Dusseldorf 1975 architecture of the London Arena. A decade or two ago this was the future, and you feel an instant nostalgia for a musical format which long ago disappeared up its own pretentiousness.

Let it be said that the Arena lays on a good sound system, which cruelly exposes the film soundtrack leitmotifs in the Floyd's work: much of it sounds like mood music to a wildlife documentary. But in its biscuit box compactness the Arena also does the pyrotechnics proud – the piercing lasers; the dry ice; the back projections screened on to what seems to be a giant drum skin behind the band; the dazzling light show; the dramatic flares. If you need pomp rock, visual stimulation to spice up *the music*, no one can compete with Pink Floyd.

The band never recovered from the defection of Roger Waters, its chief writer and singer. Dave Gilmour does his best as front man, but lacks the bite, and Nick Mason on drums and Rick Wright on keyboards now make sure they are doubled up with faceless professional musicians. Who would have thought in old psychedelia, back in 1966, that the Floyd would ever appear with a trio of ululating backing singers in tight red minis as on their current tour. It is all a money-making shadow of a great past, but with enough moments of vanished glory to keep the faithful in ecstasy.

Antony Thorncroft

ARTS

Cheers for Glasnost and for Liberation

Politics were prominent at the international theatre festival in Hamburg, reports ***Michael Coveney***

THERE HAVE been two major public talking points in "Theater der Welt 89," a fortnight of international performances recently scattered through the city of Hamburg. Both events reflected wider concerns of world politics while allowing for vigorous, no doubt fashionable, expressions of local ideological solidarity.

In the first week, the Maly Theatre of Leningrad were cheered for the evidence they brought of cultural glasnost in the wake of Mr Gorbachev's triumphant visit to West Germany; in the second, the black South African musical *Sarafina!* was accorded a reception in the Schauspielhaus that even hardened observers of the city's distinguished theatre history claim is unprecedented. When the cast of South African schoolchildren, led by the 23 year-old professional actress Seipati Sothoane in the title role, envisaged, finally, a Day of Liberation, the audience clapped, whistled, stamped and cheered for a full half an hour.

Sarafina! is a co-production of the Lincoln Center in New York and Committed Artists of Johannesburg, an offshoot of Barney Simon's Market Theatre. The show is still running on Broadway; this touring production made its European debut in Vienna before coming on to Hamburg, and it continues on its fulminating, fist-clenching flight through Germany and Holland, sights firmly set on an open-ended commercial run in London at the end of next year.

There is no denying the power and urgency of *Sarafina!* which is inspired by the fate of the children in the 1976 race riots of Soweto. School lessons become joyously subversive litanies of freedom fury, while the second act is given over to the preparation and performance of a school play incorporating urgent hymns to Nelson Mandela (though not much about Winnie); an invocation of the usual Hall of Fame – Steve Biko, Martin Luther King, Malcolm X and Marcus Garvey; and a blitz of shoulder-shaking, hip-hopping, pelvis-pushing tribal choreography in full exotic fig. The idea of a heavily politicised *Ipi Tombi* is not without its attractions.

But what exactly were the Hamburgers cheering? I suspect they were cheering themselves as much as the show, for Mbongeni Ngema's script and structure are primitive to put it politely. This may not matter all that much in the circumstances, but nothing here will be new to theatre communities, such as our own, who have seen the very best of black South African theatre over the past 15 years. And compared with the best plays of Athol Fugard, this is nursery school stuff. Which, again, I concede, may be the point.

At a Press conference, the tour director said that the idea behind *Sarafina!* was to commemorate the children who died in 1976, and that the piece was dedicated to their mothers and to all the women of Soweto. For the cast, the European tour (expected to last two years) was not an adventure in tourism or money-making (with a company of 45, profits are so far invisible), but the reaffirmation, night by night, of an oath. He then revealed that, two nights previously, a girl in the cast had had her home burnt down by vigilantes. Miss Sothoane, also on the platform, broke down in tears, and another actor wanted to know why the white Hamburgers had not joined the cast in the clenched fist gesture to accompany the black patriotic anthem.

An appeal for sympathy was rapidly turning into an attack on white pampered complacency, an unpleasant but unavoidable consequence of presenting this show in the flesh pots of Western Europe. As a spectacle, *Sarafina!* with its chicken wire fencing and dominating armoured tank is a savage barricaded update of *Les Misérables*. And as a musical, for all its naiveté, it refuses, in the robust Brechtian tradition, to allow any distinction between politics and entertainment.

More proof that this distinction is impracticable came with the non-appearance at the last minute of the Folk Art Theatre of Shanghai, an allegedly dissident Chinese troupe never yet seen abroad. The Beijing clamp down on artists' travel is another symptom of a return to the bad old days of the Cultural Revolution. Instead of *Lennon, Confucius and Jesus*, in which we were to have seen three actors made up to resemble that triple threat of sagacious motto-merchants, Hamburg actors drew on yet more reserves of sympathetic righteousness to read the text in translation and raise money for Amnesty International.

Back in the festival proper, the Staatsschauspiel of Dresden gave one performance in the Thalia Theatre of a lucid and powerful production by Wolfgang Engel of Kleist's *Penthesilea*, in which the fateful combat between the Queen of the Amazons and conquering Achilles was enthrallingly undertaken by Cornelia Schmaus and Christoph Hohmann.

This difficult play was heavily edited for clarity and punch and set on a functional design by Jochen Finke, a dentist's waiting room with a metal sheet surround inhabited by Amazonian nuns and nurses and Greek generals in Napoleonic frock coats and fencing masks. The reception was clamorous, the company obviously one of outstanding accomplishment that should come to the Edinburgh Festival one year instead of the clapped out Berliner Ensemble.

Festivals are for discoveries, but also for catching up. I was delighted to make a belated acquaintance with Robert Lepage's French Quebecois company, Théâtre Repère. *The Dragon Trilogy* was given out at the Kampnagel factory complex and exceeded all my expectations. It was beautiful, elegant, magical, funny and very moving. Indigenous Canadian theatre now has something to boast of beyond the plays of Michel Tremblay.

And the British flag, waved in the first week by Helen Cooper's *Mrs Vershinin*, directed by Mike Bradwell and with Julie Legrand as the Chekhovian battery commander's suicidal spouse, was unfurled in the second by Neil Bartlett's Gloria company in *Lady Audley's Secret* in the delightful St Pauli Theatre, a couple of hundred yards along the Reeperbahn from the still-running (fourth year) *Cats*. The melodrama as a basis for new theatre expression is a good idea that is never quite fulfilled in the execution. But Nicolas Bloomfield's piano playing of operatic and parlour classics is superb, and Bartlett as the avenging nephew is a fine complement to the imperious Annie Griffin as Lady Audley.

The inclusion of Gloria was a characteristically sharp-eyed move by the artistic director Renate Klett, who now steps down after programming two enriching and admirable festivals in Stuttgart and Hamburg. In German theatre terms, the budget of DM 3.5m is not enormous, but none of the smaller shows were included as sops or make-weights to the big guns of Leningrad, Dresden, Soweto or Stockholm (Ingmar Bergman's *Long Day's Journey*, with Bibi Andersson and Peter Stormare, was a first-week visitor). Klett is just as proud of the impact made in Hamburg by Pieter-Dirk Uys, Jean-Marie Frin as the lentil-soup-ladling P'tit Albert, and Julie Forsyth as the Australian consciousness-raising tomboy, all acts fondly regarded in Britain.

The administrative ideal, Renate Klett says, would be now to establish "Theater der Welt" in one city, but she admits that the International Theatre Institute and the civic theatre communities would not wish to be deprived of their local hours of glory. Nor should they be. In 1991, the global show moves on to Essen.

The touring production of the black South African musical *Sarafina!*

When outrageous is the norm

Anthony Curtis on the centenary of Cocteau's birth

"THE LASTING feeling that his work leaves is one of happiness; not of course in the sense that it excludes suffering, but because, in it, nothing is rejected, resented or regretted . . ." Auden's verdict on Jean Cocteau, who was born 100 years ago this week, is the definitive one.

Though French to the core, Cocteau belongs to a tribe of dazzling mainly Irish and English enchanters that runs from Oscar Wilde through Ronald Firbank to Noël Coward – gay art at its gayest. They are the inventors of the artificial paradises, those secondary worlds where the outrageous is the norm, and to which the pass-key is the resounding one-liner.

Two only of Cocteau's hundreds of epigrams must be my ration for this centenary celebration. (1) "The goal of every artist must be his own extremity;" and (2) "Victor Hugo was a madman who thought he was Victor Hugo."

If Oscar Wilde had not gone to prison, he would probably have had a career rather like Cocteau's, excelling in every conceivable literary form, weathering every political storm, re-creating his identity several times to suit the changing period, and ending his days as a 60-year-old smiling public man, the revered recipient of honorary degrees and membership of learned academies. Both men of genius loved to be loved — with a vengeance.

With such versatility as Cocteau showed over his long career spanning the two wars, it is hard to know where to train the spotlight. Aphorist? Poet? Novelist? Playwright? Author of ballets? Film-maker? Diarist? Line-draughtsman? Caricaturist? Cocteau produced memorable work in all these areas, sacrificing steadiness of reputation to the demonic urge of creative audacity.

He described his work in whatever form it appeared as *poésie*; *poésie du film, du roman* etc. It is ironic therefore that the one title usually denied to him by critics is that of a poet. It was indeed as a poet that he made his début. In the fashionable salons before world war one, Cocteau emerged as a boy-wonder, declaiming his poems from a slim volume, *Le Prince Frivole*, under the patronage of his protector, the preposterous Edouard de Max.

After the war (which he observed from a private ambulance corps on the front-line, an episode recounted in a short novel, *Thomas L'Imposteur*) Cocteau published longer poems such as *Le Discours du Grand Sommeil* and *Le Cap de Bonne Esperance* which attracted the admiring attention of Ezra Pound.

By then Cocteau had already acquired a reputation in avant-garde circles as a man of the theatre, with his ballet, *Parade* for Diaghilev, and his short play *Les Mariés de la Tour Eiffel* where the action is mimed to the accompaniment of dialogue uttered through loud-speakers on either side of the stage (a device borrowed by the Sitwells in performing *Façade*).

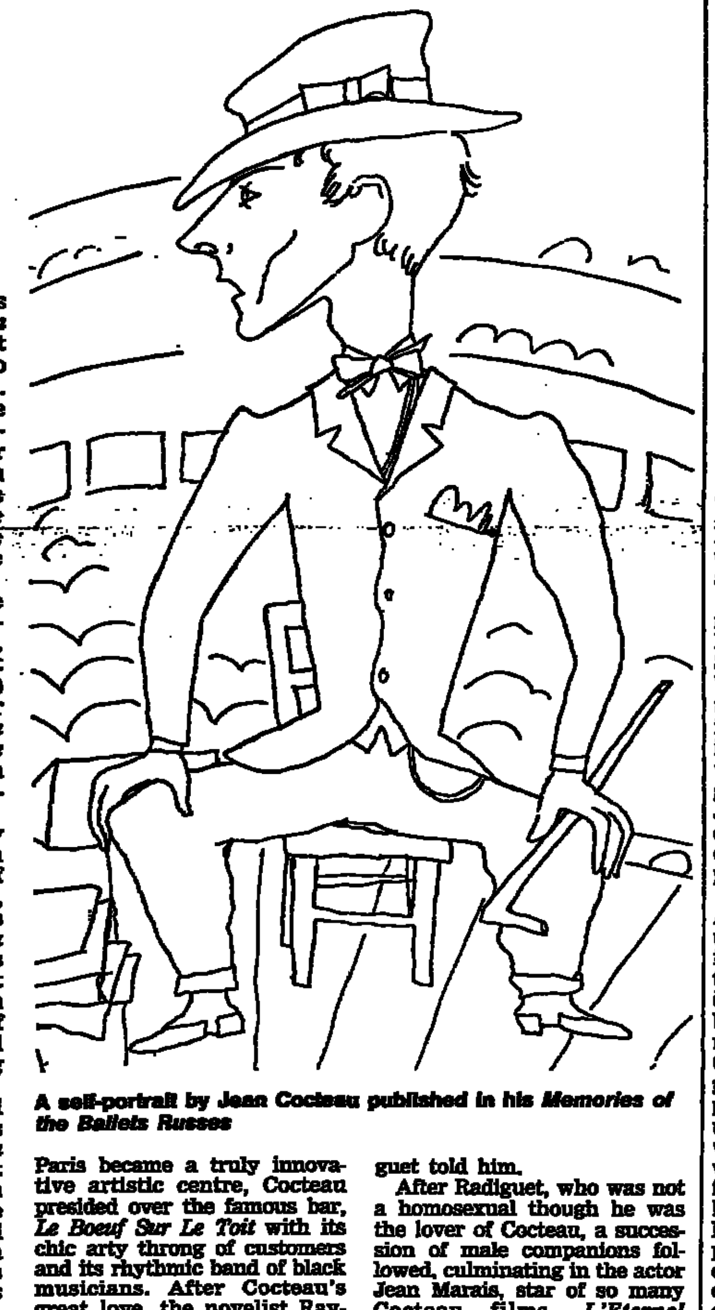
Cocteau plays followed in all shapes and sizes, from works for a solo-performer like *La Voix Humaine* (later a one-act opera), experiments with ancient legend *Orphée* (the basis of the famous film) and *La Machine Infernale*, to such full-blown boulevard pieces as *Les Parents Terribles* and *Les Monstres Sacrés*.

In the post-war-one era when Paris became a truly innovative artistic centre, Cocteau presided over the famous bar, *Le Boeuf Sur Le Toit* with its chic arty throng of customers and its rhythmic band of black musicians. After Cocteau's great love, the novelist Raymond Radiguet, a regular frequenter of it, died from typhoid fever, Parisian malice coined the phrase for Cocteau of *Le Veuf sur Le Toit*. Cocteau resorted to opium to assuage his sorrows, and wrote a fascinating journal, illustrated by terrifying drawings, to describe the process of disintoxication.

From the younger man Cocteau had learned much. "We must try to be ordinary" Radiguet told him.

After Radiguet, who was not a homosexual though he was the lover of Cocteau, a succession of male companions followed, culminating in the actor Jean Marais, star of so many Cocteau films, *L'Eternel Retour, La Belle et la Bête* etc. and finally Edouard Dermit.

For all the later triumphs in the cinema, one harks back to the golden period when Cocteau and Radiguet were teaching each other to forge a style from a despair and when Cocteau found a new way, as in *Les Enfants Terribles*, of articulating the intense, unforgettable, rapturous agonies of adolescence.



A self-portrait by Jean Cocteau published in his *Memories of the Ballets Russes*

Radio

Revolution in the air

THE FRENCH Revolution has annexed Radio 3 this week, beginning on Saturday with a talk by David Bradby on *Drama of the Revolution*. His theme was that we remember Danton, Robespierre and that lot for what they did, not who they were; but he did not much advance his argument with the plays he quoted, in which the revolutionary figures were presented – *Danton's Death, The Marat/Sade, Poor Bitos*. In these we only have imaginary reconstructions of the real revolutionaries.

And it is true that most of us remember (or misremember) Richard III, for example, from Shakespeare, not from history. We recall the figures we saw in the plays, not the historical individuals. It was an interesting theme, and it made me wonder why there has not been great drama about Charles I or James II. Perhaps the British do not kill enough in their revolutions. William III will only pass for Robespierre in Ireland.

Beaumarchais's *One Mad Day (The Marriage of Figaro* until John Wells translated it), is no fair example of revolutionary drama. There is Molièrean mockery of aristocratic behaviour, and there is the matter of *droit de seigneur*, but Count Almaviva has claimed to give this up. I found Tuesday's production under Ian Cotterell unexpectedly dull. The playing, with Nickolas Grace as Figaro, was fine, the dialogue was faithful; but it lasted three hours, with two intervals. I'd have taken a heartless blue pencil to the script, and emphasised the story at the expense of the not always comic chatter.

On Friday we heard Nickolas Grace again, as an unemotional Robespierre in Büchner's *Danton's Death*. This is set in the autumn of the Revolution, in spring 1794, and although Büchner himself was of a revolutionary nature, he does not mute the dreadful behaviour of some of his characters. Danton (well taken by Gerard Murphy) is half-retired, devoting himself to women and comfort. He goes to Robespierre to plead that there is no need to go on killing. Robespierre tells him that "the weapon of the Republic is terror." They are now adversaries.

It is not an easy play. The story of Danton's arrest and trial before the Deputies is exciting; but it is surrounded by events culled from historical small-talk, not necessarily relevant to the main account. In my edition, there are 27 named characters in the play, with "citizens, grisettes, executioners, etc." There is even a speech by Tom Payne in prison, proving that there is no God. Some of the speeches in the very good English version by Howard Brenton sound fine, and I wish I had space to say more about the company. The director is Clive Brill.

Next week – though I can't promise to cover them – we have Anouilh's *Poor Bitos* on Tuesday and a recording of the film of Peter Brook's *Marat/Sade* on Friday.

The Americans celebrate their revolution with an annual holiday, and Radio 4 put on Neil Simon's *Plaza Suite* last Saturday, as handy to Independence Day as they could. The production was by LA Classic Theatre Works, but directed by a British director, Martin Jenkins.

These three one-act situation pieces make excellent radio, and the playing was first-class. Marsha Mason was Karen in the first piece, the woman who shares her anniversary with her husband and his business, and Norma in the third, the mother whose daughter locks herself in the bathroom when she should be getting married. (We had "special appearances" by Amy Irving and Richard Dreyfuss in this one – 12 words for him, three for her.) The respective husbands were Joe Spano and Ed Asner.

In the middle piece, the meeting between the famous Hollywood producer and his film-fan love of 17 years ago was done by Hector Elizondo and Jobeth Williams. No special appearances could have been better. Neil Simon read the closing announcements.

B.A. Young

New Budapest Quartet

THE NEW Budapest Quartet have not found the London audience they deserve, to judge by the thin house for Thursday's Wigmore Hall recital. The qualities that marked their performances of Beethoven and Bartok are those of the archetypal Central European string quartet – deep mellowness and warmth of tone from all players, a blending of the four instruments euphonious without ever cloying, a style of shaping and expanding each phrase that emphasises the whole rather than the parts. In these days of "dynamized", gramophonal quartet-playing, these are qualities to be cherished.

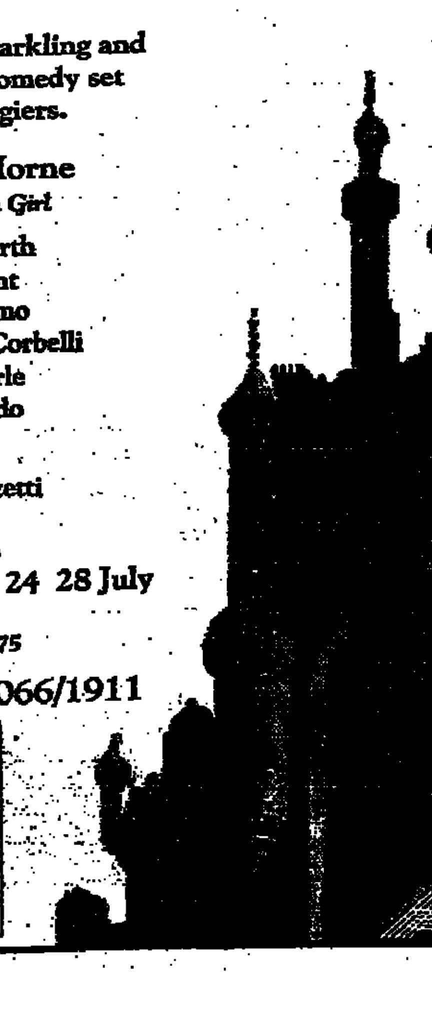
The New Budapesters opened with the first Beethoven quartet, Op.18 no.1. It was humid as well as hot in the hall, and in the slow movement there was mid-way through an mishap to the ensemble that may have been caused by sticky fingers; the players elected to repeat the movement whole, and made it, even more than first time round, the fullest flower of their Beethoven reading.

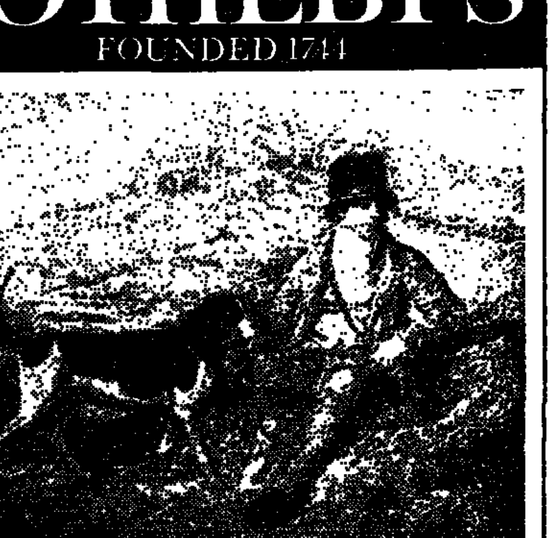
It was a joy to hear such unforced musicianship in this work: a rare joy indeed, since it is surely a token of uncommon musical sophistication that the performers should be able to take in and build on countless subsidiary details of melodic and rhythmic figuration without artificially highlighting them. This was, one felt, "organic" Beethoven; and the Bartok quartet that followed – the Sixth – was no less remarkable for the same sort of sanity and humanity.

After the interval, the quartet were joined by the young English pianist Piers Lane for an account of the Brahms Piano Quintet not quite as elevated as the basic elements suggested it might become. Mr Lane is a formidably equipped chamber musician, but he seemed too much on his best behaviour, and, particularly in the Scherzo, with the closing bars of its piano part rhythmically clipped, the expansiveness of the string players found insufficient answer.

Max Loppert

Chess No. 780:
1 P-Q7. If 1 ... K-Q3; 2 P=N and 3 R-Q7 mate. If 1 ... K-B3; 2 P=Q ch, K-N3; 3 Q-N5. If 1 ... PxP; 2 P=R, K-B3; 3 R-Q6. If 1 ... PxB; 2 P=B, K-Q3; 3 R-R6.





SPORT

Graf bars Navratilova's road to glory

***John Barrett** looks at the two women who compete in today's Wimbledon singles final*

APPROPRIATELY, today's women's final at Wimbledon will bring together the two finest players of the past decade. Martina Navratilova, the Czech-born American who is now 32, and the 20-year-old West German Steffi Graf, the past and present world champions, have perfected their respective styles of play by dint of a thoroughly professional attitude and with hours of hard practice and training.

Martina's serve-and-volley technique depends on a level of fitness and strength that no other woman tennis player has ever achieved. Her natural athletic gifts have been seen to best advantage on grass courts, and helped her to win the first of her eight Wimbledon singles titles in 1978. But it was Nancy Lieberman, the American basketball star, who first made her aware of the training required to win on all surfaces.

After some frustrating losses at the other Grand Slam championships, Martina turned for help to Renee Richards at the US Open in 1981. The partnership got off to a good start when Martina beat top-seeded Chris Evert in a marvellous semi-final.

However, a tearful 1-6, 7-6, 7-6 loss to Tracy Austin denied her a first title in her newly-adopted country. She had to wait two more years for that. But the 1982 success on the slow clay of Paris confirmed her growing confidence on other surfaces.

Adopting the Haas diet helped Martina to build the formidable physique that has enabled her to stay at the top into her thirties. A succession of on-court advisers, who have included Mike Estep, Tim Gullikson, Virginia Wade and Craig Cardon, have given her variety, while the inclusion in her team this year of Billie Jean King has restored her joy in the game.

During her reign at the top between 1978 and 1987, Martina made an immense contribution to the development of the sport. More important to her than the riches – $14.2m to date – has been the accumulation of titles. With 17 Grand Slam singles successes to her name, Martina stands in fourth position behind Margaret Court (24), Helen Wills Moody (19) and Chris Evert (18).

However, I shall be surprised if she improves her score today, even though apart from Evert she is the most experienced of today's players at Wimbledon. At her 17th Wimbledon, Martina has not looked the same confident player who won six years in a row between 1982 and 1987.

Even against Sweden's first-ever semi-finalist, Catarina Lindqvist, she was shaky. During a first set that she would have lost if her opponent had not become too nervous, simple volleys were pushed long or into the net, while backhands were sliced beyond the lines.

Steffi Graf, by contrast, has looked better with each round she has played. She looks stronger and even faster than she did in last year's final against Martina, when she won eight games in a row to take her from 5-7, 0-2 to 2-0 in the final set. That spell, for me, was the finest tennis that any woman has ever played. So is there still any room for improvement?

'At her 17th Wimbledon, Martina has not looked the same confident player who won six years in a row'

The exciting answer to that question is *Yes*. On the backhand side there is not yet enough assurance to hit with topspin. The natural slice, hit to a perfect length, is a magnificent shot in its own right and augments the lethal forehand which is the finest single stroke in women's tennis.

Yet to pass a volleyer of Martina's skills it is necessary to have the shot that makes the ball dip – both down the line and at an acute angle across the court. The really exciting thing about last year's final was the instinctive use of that shot in the second set crisis.

Steffi's contribution to the onward progress of women's tennis is the awareness of how hard the ball can be hit with a shot whose natural timing allows her to swing suicidally late. Because she refuses to retreat, some of her fierce forehands are virtually half-volleys. Not only are they fast, they are also beautifully disguised.

Her relentless progress towards the game's summit has been carefully planned by a devoted and shrewd father who has taken a lot of unjustified criticism. He has sensibly protected Steffi from much of the inevitable pressure that is attached to success, and has hired the former Czech Davis Cup player, Pavel Slozil, as her practice partner. The results speak for themselves.

This will be Steffi's third consecutive appearance in the Wimbledon final against Martina, who beat her in 1987 and lost last year. It will also be Steffi's 10th consecutive Grand Slam final since her breakthrough, inevitably against Martina, in Paris in 1987. Since then only three players have beaten her – Gabriela Sabatini twice and Pam Shriver once in 1988 and Sabatini again and Arantxa Sanchez in the French final this year.

The fact that Navratilova leads her on a career basis by 7-4 is slightly misleading. She won five of their first six matches by the time Graf had just passed her 17th birthday. Since then it has been level pegging, at any rate as far as the Grand Slam events are concerned. Steffi won the French Open of 1987 in a stupendous contest which went to 8-6 in the third set and then had to suffer setbacks later that year at Wimbledon and the US Open before coming back so marvellously at Wimbledon last year from 5-7, 0-2 down to win.

It was the manner of that recovery which impressed the crowd so much. Martina won only one of the subsequent 13 games and was destroyed. How well she has managed to put that to the back of her mind is debatable. After her semi-final victory against Catarina Lindqvist on Thursday, she implied that she had played last year's final with an injury, only to brush aside further questioning

Despite the much-heralded advance of the younger brigade, both the men's and women's singles got to the semi-final stages with the biggest names intact. The men's last four, in fact, comprised the best quartet – the world's No 1, Ivan Lendl, plus three former Wimbledon champions, Stefan Edberg, Boris Becker and John McEnroe. The women were not far behind with Graf, Navratilova, Chris Evert and one unseeded competitor, Catarina Lindqvist.

The second week brought its usual quota of strange happenings, none more so than the sight of "Gentleman" Tim Mayotte finally blowing his top at what he considered an outrageously bad line call at a vital stage of his quarter-final against Edberg.

Navratilova powers her way into the semi-finals

A cricketer's secret weapon

***Teresa McLean** on Test match fielding – or the lack of it*

IF YOU are watching the current Test match, after the horrors and mortifications of the first two, you are obviously keen enough on cricket to have your own ideas about who should captain England, open the batting and spin the Australians out for next to nothing.

Even tepid fans who cannot come up with any names can come up with some reasons why there are so few captains, batsmen and bowlers, especially spin bowlers, to chose from. Cricket disasters always inspire multitudes of remedies or diagnoses.

But when did you last hear someone holding forth about Test match fielding? You get an occasional paeon of praise for brilliant bits of fielding – Barnett hurtling around the Lord's outfield like a guided missile to save runs or Boon, the podgy little Australian, snapping up catches at point like a tipsy pug dog in a helmet. But most of the time English spectators are lulled into a kind of stupor by the sight of players fielding in a kind of stupor, somewhere between resignation and indifference.

Fielding is one of those strange cricketing skills, like running between the wickets, which everyone knows is important but hardly anyone finds interesting until it goes spectacularly right or wrong. It is hardly ever glamorous or romantic, like Gower's century at Lord's against all the odds, in the face of media criticism tantamount to persecution.

Better still, Gower's century was not enough to save the match. What more could an Englishman ask for? It was enough to make one of the members wipe his eyes with that frightful orange and yellow tie sported by the Lord's élite. Fielding cannot aspire to such heights. It has its moments but they are more often isolated moments than part of a concerted team effort, and they are quickly and easily forgotten.

The infuriating thing is that it does not have to be like that. Fielding is not just important; it is a secret weapon. Simms, the young groundstaff member who substituted for Robin Smith on the last day of the Lord's test, did not stop at catching Allan Border in adventure story style, with the ball flying towards him high and hard off a mistimed sweep. He reminded his battle-weary team-mates that aggressive fielding can change the course of games, even games as hopeless as England had contrived to make the first two Test matches.

Fast, attacking fielding, such as Simms was displaying all round the boundary, saves runs, unsettles batsmen and transfigures the morale of the side in the field. With spirits raised, fielding improves. Up until Edgbaston, where England are looking much more vigorous, they have been trapped as victims inside this vicious circle. Most of their players have fielded reasonably well, but no more than that.

To their credit, they never quite gave up at Headingley, but nor did they bust a boiler trying to work a miracle. A pity. Miracles are always worth a try when a single airborne catch, a run out or a couple of sensational saves on the boundary might have been enough to save even Newport's bowling from incurability. Russell's stumping of Taylor two days ago worked wonders for his team's confidence.

If the supernatural and heroic is beyond England's mental reach at the moment, the mundane should suit them nicely. I daresay there is some sort of horrible symbolic significance in the fact that Gower's shoulder injury did not stop him making a century at Lord's but did stop him throwing the ball in after fielding it. Lacking confidence and led by a captain whose usually excellent fielding is debilitated, poor old England must resort to the quiet, hard-working basics in the field that are every schoolboy's horror.

As long ago as 1778 the Rev Cotton of Winchester wrote a song celebrating the glories of the newly-fashionable game of cricket, paying special respect to bowlers, fielders and batsmen in that order:

"Ye fieldsmen, look sharp, lest your pains yo beguile.
Move close like an army, in rank and in file;
When the ball is returned, back it sure, for I trow
Whole states have been ruined by one overthrow."

So far England's backing up has been bad enough to make the Rev Cotton turn in his grave. But somehow you feel you are joining in the national cricket collapse if you are reduced to recommending fielding practice and working on drab fundamentals such as backing up.

Now, two down after two Tests, it is good to see England adopt the do-or-die approach and "move close like an army," baring their fangs at Australia from the field. An aggressive aura does a lot of damage, witness Alderman's smiling his bloodthirsty smile at his victims during his run-up. His fielding exudes a more domesticated impression, as is the case with front-line bowlers.

In the Trueman-Statham days, a fast bowler doing fast fielding offended against good taste. Even today, with fielding so much better than it was a generation ago, and with specialist fielding positions and tactics common, the only pace bowler on either Test match side who has fielded without an air of resentful exhaustion is Paul Jarvis, who was dropped for his pains and only included in the English team for the third Test as a last-minute replacement for Foster. In contrast, Merv Hughes has made an art form of his slow, heavy, feeble fielding.

Fielding is the one of the three cricket killer weapons available to England – batting, bowling and fielding – that depends most on practice and least on talent. It is also the one that Border reckons to be the secret of winning and where he knows it is an advantage to be leading a small, touring group who know each others' game and practise together constantly.

However dismal England's cricket goes on being, its captain should bear in mind Gilligan's line with his team, Sussex, whom he captained in the 1920s and whose fielding he simply forced up to a high standard. He was particularly hard on slack fielding. An amateur having a trial game for the county scored a good half century but was refused another game.

"But I did score 50," he complained.

"True, but you gave away 30 in the field."

CROSSWORD

No. 6,980 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday July 19, marked Crossword 6,980 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday July 22.

ACROSS

1 Remitted about ten cents at bottom (8)
5 Cat makes a cur go wild (6)
9 Authority for priest to keep small house in USA (8)
10 Bad pun: pull and remove for safety's sake? (6)
11 Bypaths not going ahead? (8)
12 Pole, middle distance runner, happy type? (6)
14 Result of a sticky palm? (4,2,4)
18 Inside like maids or tenders? (6,4)
22 Revolutionary fellow swallows insect (6)
23 Rest for the lung? (8)
24 Judge's wear: I'm not sure if it belongs to me (6)
25 Hedge: just time for a few games of tennis? (8)
26 Container, Peruvian, in Tunisia (3,3)
27 A few words from the judge (8)

DOWN

1 Partner without children on river (6)
2 Title for judge in river to deceive (6)
3 Red Indian doctor gets the bird (6)
4 Mealy-mouthed rhyme (5-5)
6 No mitten? You need something to rub in (8)
7 Metallic covering visible in autumn (4,4)
8 Horseplay before a wind hits the clothing business (3,5)
13 Plan to avail oneself again of liqueur (10)
15 Round and crooked, enclosing what's straight and dutiful (8)
16 Feature agreement with orientals (8)
17 One form of mansion where sheep may be counted? (8)
19 Lucky charm for number at races (6)
20 Enoch's surprisingly elected (6)
21 Summons man to show agony? (6)

Solution to Puzzle No.6,979

Solution and winners of Puzzle No.6,968

N. Clare, Nelson, Lancs; K.H. Williams, Chislehurst, Kent; Neville von Twickel, Soltau, W. Germany; P.P. Thomas, Hoveton, Norwich; R. J Trail, Christchurch, Dorset.

TELEVISION/RADIO

SATURDAY

Indicates programme in black and white

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

As Channel 4 except:

ANGLIA

BORDER

CENTRAL

Spencer Tracy and Katharine Hepburn star as two feuding newspaper writers in "Woman of the Year", C4, 1pm, today

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

(S) Stereo on FM

RADIO 2

RADIO 3

RADIO 4

SUNDAY

Indicates programme in black and white

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

As Channel 4 except:

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

HTV

HTV WALES

As HTV, except:

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

(S) Stereo on FM

RADIO 2

RADIO 3

RADIO 4

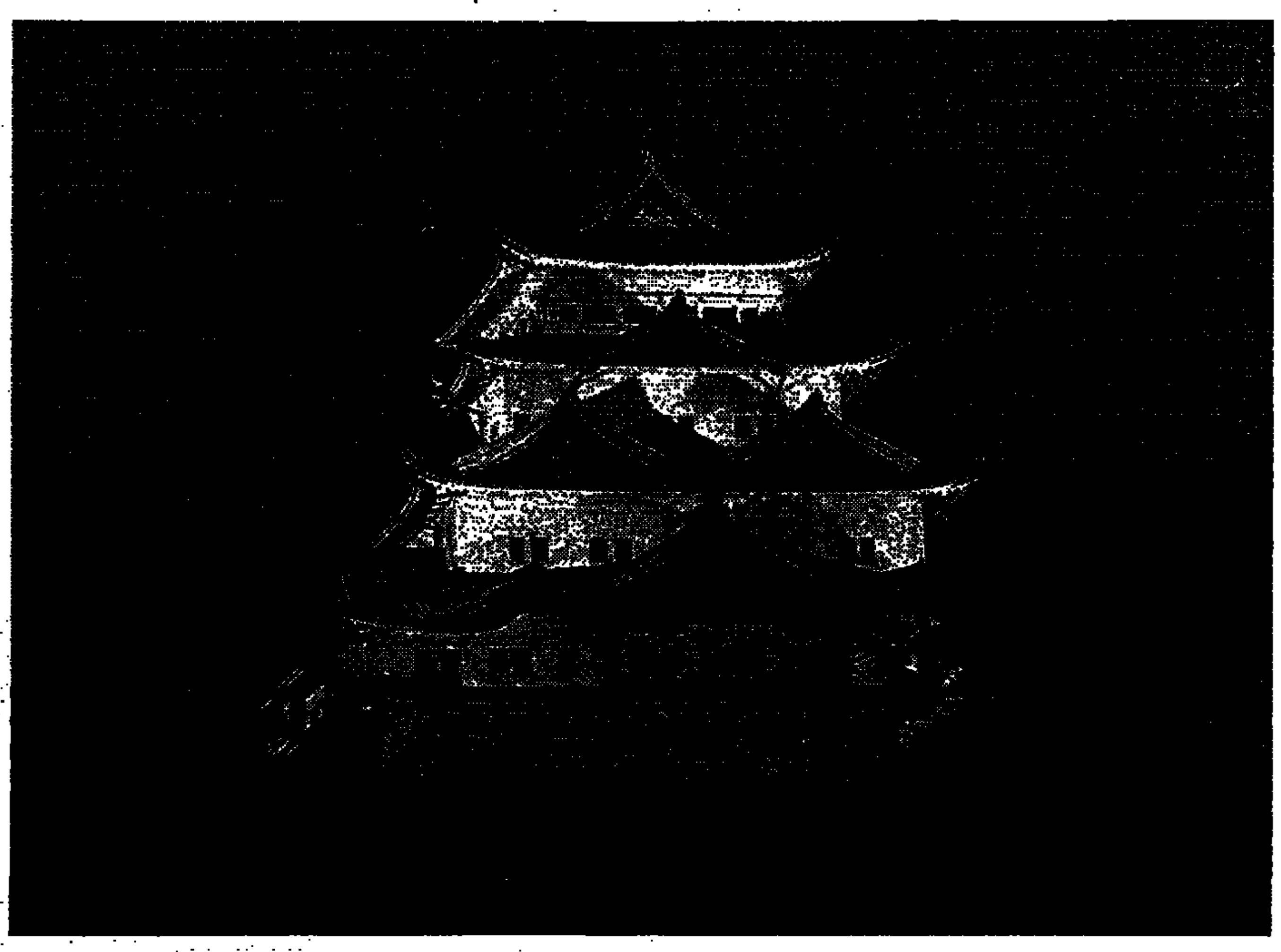
مبكرا من الاجل

SECTION III

FINANCIAL TIMES SURVEY

A succession of internal and external shocks has rocked the country in recent months. Though business confidence remains high, the political system has been severely shaken. Yet, from the turmoil, a more democratic Japan may emerge, writes **Ian Rodger**

Pressures on the system



JAPAN

CONTENTS

(left) Nagoya Castle. Photographs: Ashley Ashwood. Editorial production: Gabriel Bowman

THE NEW Heisei era in Japan began quietly and auspiciously enough on a bright, cold morning in January when Emperor Hirohito died at 87, after a long struggle with cancer.

Whatever nostalgia or bitterness the Japanese retained about the long, initially turbulent and finally triumphant, Showa era, the feeling was that a watershed had been passed. Perhaps arguments about the Second World War could be left behind and the country's evolution from an inward-looking, feudalistic society to a modern, open one could accelerate. Perhaps Japan could at last take a place in international affairs commensurate with its immense economic strength.

Today, only a few months later, that soul-searching has suddenly become more urgent following an astonishing succession of internal and external shocks.

At home, the Recruit scandal has shaken the country's establishment to its core. A former minister, two senior civil servants and several top businessmen were indicted on bribery charges arising from their associations with the Recruit company. Mr Noboru Takeshita, then Prime Minister, was forced to resign in disgrace.

The revelations of corruption in high places provoked a strong sense of disgust among the Japanese public. This disgust then combined with three other sources of public discontent – a new consumption tax, farm product market liberalisation and reports that Mr Sosuke Uno, who replaced Mr Takeshita as Prime Minister, had an affair with a prostitute – to undermine support for the Liberal Democratic Party.

In late June and early July, the LDP suffered major setbacks in a byelection and in Tokyo city elections and a rejuvenated Japan Socialist Party began to look a more plausible force than it had for decades. If the protest trend continues – and many expect it will – it could loosen the LDP's grip on power for the first time in more than 30 years.

Meanwhile, as the country's trade surpluses surged up again, complaints from overseas grew to alarming and occasionally ugly proportions. In February, the US Government, pushed by an eruption of anti-Japanese sentiment in Congress, unilaterally insisted on a renegotiation of a joint development agreement for Japan's new fighter aircraft, the FSX. In late May, the Administration branded Japan an unfair trader under provisions of last year's Trade Act. Opinion polls showed that many Americans considered Japan a bigger threat than the Soviet Union. To make matters worse, the yen weakened significantly in the spring, leading to fears that trade surpluses might go even higher.

In a poorer country, a coincidence of severe shocks such as this might have led to demonstrations in the streets or other forms of unrest. But Japan is rich and getting richer, so most people are cushioned from the shocks or even oblivious to them. Business confidence, according to a recent Bank of Japan survey, is at an all-time high. While evidence of social tension is increasing, especially as disparities in wealth and income widen, there is not the slightest suggestion of a breakdown of the country's much envied social order.

However, the shocks probably will cause a period of near-paralysis in Japan's political decision-making apparatus until both the country's leaders and its people have assessed and absorbed the significance of what is happening.

Some analysts still believe that, like other storms in the past, this one will blow itself out and Japan will revert to being its normal, inscrutable self. One of the keys to the country's success has been its emphasis on reconciling differences between conflicting interests quietly and patiently.

Today, however, that system looks to be under extreme pressure. The difficulty of reconciling foreign and domestic interests has been apparent for some time, but it has only recently become a serious problem. Until the mid-1980s, the Japanese bureaucracy was quite successful at fending off foreign pressures to open markets. But as the trade surpluses soared, demands from foreign governments became both more strident and better documented. The Japanese authorities have had no choice but to give way, even though they knew farmers and other protected groups would howl.

Difficulty in resolving internal differences quietly is a more recent phenomenon. The Recruit scandal, for example, was different from previous scandals in that the authorities were unable to limit the damage it caused. In a similar scandal 35 years ago, the Government eventually brought things to an end by telling the Justice Minister to block prosecutions of politicians. This time, the idea was aired but the Government knew that the public would not accept it.

Public anger over the new consumption tax reflects in part the conflict between the Government's worthy attempts to prevent merchants from contributing to inflation by rounding up prices beyond the 3 per cent rise, and the inconvenience to consumers of prices that oblige them to carry tiny one yen coins.

In many instances, the new internal pressures are contradictory. People want more leisure time, but they do not want to allow foreign workers in to do the jobs they themselves no longer want to do. People want to be loyal to Japanese producers of consumer products but they are also increasingly unhappy about the relatively high prices of goods in the shops.

One result of the new pressures is that decision-making is becoming less predictable than it was. Power utilities are having to review ambitious plans for nuclear power stations because of a vociferous new anti-nuclear movement. Some analysts say the Government might substantially amend the unpopular consumption tax despite its support in bureaucratic and big business circles. Even the overseas aid programme may come under scrutiny. A senior government official said last week that some elements of the Japanese public are beginning to resent it. "In Tokyo or Osaka, people understand, but whenever we go to the countryside, they complain about liberalisation and taxes," he said.

To Western eyes, none of these developments is particularly disturbing. Indeed, they appear to be healthy signs of democracy in action. But for Japan, they are almost revolutionary. Although a democracy by constitution, Japan has in fact operated under a quasi-feudalistic system controlled by a few powerful interest groups. Ordinary people have had little say in things and a paltry share of the benefits of the country's rising prosperity.

It was to be expected that this rigid system would weaken as the country's contacts with the outside world deepened and as the circle of rich, powerful and well-informed people within the country widened. But until the mid 1980s, the process was moving so slowly as to be almost imperceptible, and some analysts still think it is moving *too slowly*. However, it now appears that the sudden surge of national wealth following the yen's revaluation accelerated the emergence of new internal and external pressures. Foreign governments intensified their criticism of Japan for not participating enough in international affairs or contributing enough aid to the third world. At home, thousands of huge personal fortunes were made almost overnight from soaring property and stock market prices, creating a new class of affluent Japanese with no attachments to any of the ruling groups.

In these circumstances, it was probably inevitable that the country's political system would also be shaken up at some point. The LDP's long hold on power has been based largely on a simple combination of business money and rural votes. It remains to be seen whether public anger with the LDP over the Recruit scandal and other issues will fade – as many of the party's corrupt leaders hope – or whether the party will be faced with the choice of carrying out real reforms to the political and electoral systems or breaking up.

Until the political situation settles down, the country will have to operate virtually without leadership. That is not a particularly troublesome pros-

Continued on Page 2

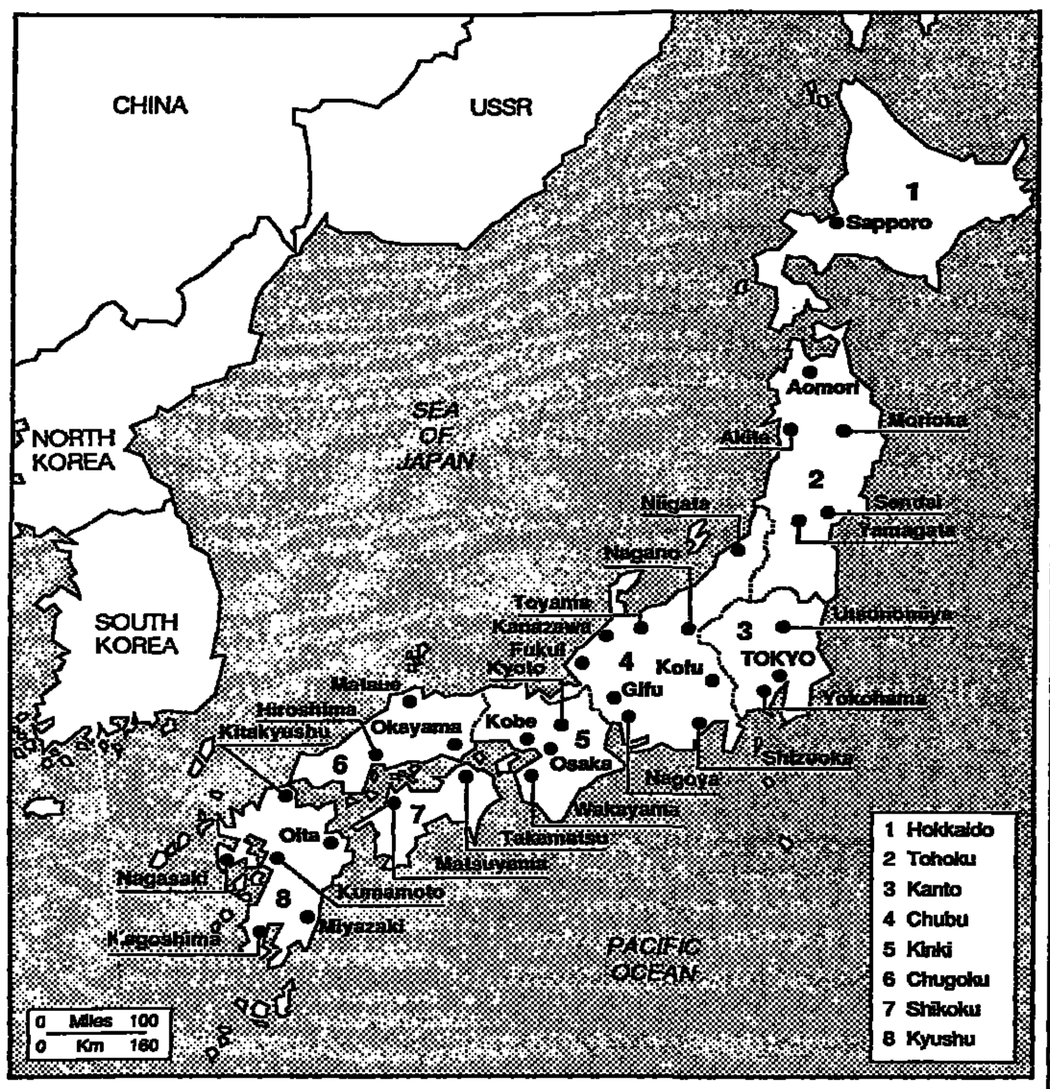
KEY FACTS

Area:	377,800 sq.km.
Population:	122.09m
Prime Minister	Sousuke Uno
Real GDP growth: 1988	5.7%
1987	4.5%
1978-88	4.2%
GDP per capita:	US$ 19,437
Purchasing power parities	13,161
US PPPs	18,338
W Germany PPPs	13,323
Inflation: 1988	0.7%
1987	0.1%
1978-88	2.6%
Merchandise exports:	
1988	US$259,550m
1987	US$224,630m

Merchandise imports:	
1988	US$164,820m
1987	US$128,170m
Trade balance:	
1988	US$+94,730m
1987	US$+96,460m
Trade balance with the US	
1988	US$+47,597m
1987	US$+52,090m
Current account balance:	US$+79,310m
1987	US$+87,000m
Growth in export volume:	
1988	4.4%
1987	0.4%
1977-84	7.0% average
1985-88	1.4% average

Growth in import volume:	
1988	16.6%
1987	9.1%
1977-84	3.0%
1985-88	12.0% average
Net direct investment:	
1988	US$−34.65m
1987	US$−18.33bn
Net portfolio investment:	
1988	US$−53.23bn
1987	US$−91.30bn
Average exchange rate:	
1988	US$1 = Yen 128.15
1988	£1 = Yen 227.98
Total reserves excl. gold: end April 1989	US$99,409m

JAPAN 2



Pressures on the system

Continued from Page 1

pect at the moment, either internally or externally, thanks to the strength of the economy and the absence of other pressing issues. But it could become problematic for Japanese foreign relations if it persists for more than a few months.

The Government's greatest external vulnerability is on the trade front. Because of the high trade surpluses, foreign governments, especially that of the US, are demanding an acceleration of changes in the economy's structure. They say Japan must eliminate various commercial practices, including cartel arrangements, group relationships and other customs that act as effective barriers to outsiders. The Japanese retort that these practices are deeply ingrained in their culture and that changing them will take time. They worry that the US demand for quick results could clash dangerously with rising resentment among Japanese people about "Japan bashing."

The Government will also be in trouble if, as many fear, the economy, now widely expected to grow at a brisk 5 per cent this year, starts to overheat because of severe labour shortages. The international community expects Japan to continue contributing to world economic growth and would be upset by any policy changes aimed at restraining it. Foreign governments might wonder why Japan cannot solve its labour supply problem by, for example, employing women more effectively or opening its borders to some of the thousands of poor Asians who would love to work there.

The US and others may also maintain pressure on Japan to continue the process of liberalising its financial markets, but Japanese officials would probably be able to resist that. The view is growing both in Japan and elsewhere that the high level of regulation in the country's financial system has been a significant force contributing to stability in international financial markets in the past few years, and is perhaps preferable in some respects to the totally free markets in the US and Western Europe.

It all points to a difficult year or so ahead, both for the Japanese themselves and the foreign politicians, officials and businessmen who deal with them. However, it seems likely that a more transparent, democratic Japan will emerge from the current period of turmoil.

The Recruit affair seems certain to result in political turmoil, says **Stefan Wagstyl**

Why reformers have much to lose

THE Liberal Democratic Party will need all its legendary flexibility to extract itself from the crisis it has brought on its own head.

If it fails, there is a possibility, albeit remote, that it might be out of office within a year for the first time since it was formed in 1955.

And even if it succeeds, important changes seem certain to occur in Japanese politics – notably the re-emergence of the Japan Socialist Party as a credible political force.

The inevitable turmoil could have an impact overseas as well as inside Japan as domestic considerations may tend to over-ride international ones in policy matters, especially in economic relations.

The LDP's priority is to fight a coherent campaign in the national elections to the Diet's upper house, due on July 23, and avoid a defeat on the scale suffered in last week's Tokyo city council polls. Beyond that, it will have to consider changes in policy and leadership which will regain voters' confidence in time for elections in the next year to the Diet's lower house, the key chamber for controlling the Government.

Many party members believe Mr Sousuke Uno, the Prime Minister, will have to resign, probably after the upper house poll, in order to improve the party's popular standing. The immediate cause of his departure would be the sex scandal which erupted shortly after he took power in early June.

But Mr Uno's departure would do little to solve the party's fundamental difficulties. The most important cause of the LDP's troubles is the Recruit affair, which exposed as never before the depth and breadth of the influence of money in Japanese politics. While the average Japanese was not necessarily surprised by what he saw, he was disgusted by the scale of it all. The rise of property and stock market values in the 1980s created huge reservoirs of wealth which politicians tapped with great abandon.

The LDP has tried to clear its name, notably with the decision of Mr Noboru Takeshita, the former Prime Minister, to resign and that of Mr Yasuhiro Nakasone, his predecessor, to quit the party.

But the voters want to see evidence that the party really means to put an end to old-style politics dominated by balancing narrow factional interests. In this respect, the long-drawn out selection of Mr Uno, which was supposed to mark a break with the past, turned into a classic example of everything that is rotten with the LDP.

Opinion polls indicate that voters want clear-cut changes, not just in policy – though the reform of political fund-raising is seen as important – but of personnel among the leadership.

However, such reform is difficult because it has to be carried out by the people who have the most to lose – faction leaders and their lieutenants, who are the greatest beneficiaries of money politics. They use the funds to hold in place political machines welded together over many years.

As a result, the LDP is trying other ways of wooing voters. In particular, it wants to regain some of its staunchest supporters. The impact of Recruit was compounded by the steady liberalisation of agricultural markets and by the unpopular introduction of consumption tax this April. These measures were criticised most heavily by loyal LDP voters – farmers and small shopkeepers.

The party has already promised a favour to the agricultural community, in the form of putting off an expected cut in the price of rice this year. Other vote-winning pledges could follow – including a possible revision of consumption tax as well as income tax cuts.

It is in this field that the impact of the LDP's troubles on foreign relations could have the greatest impact. Senior Japanese government bureaucrats concede that Japan is unlikely to push through changes demanded by foreigners but resisted by Japanese at the same pace as in previous years. One casualty could be retail reform, demanded by the US, but opposed by small shopkeepers. None of this is likely to deflect Japan from the path of economic liberalisation in the long run. But next year at least could prove difficult.

The probable course of political events covers a few known points surrounded by great mists of uncertainty. It seems likely that the LDP will lose enough seats in the forthcoming upper house election to forfeit its overall majority. Half the chamber's 252 seats will be up for election, including 69 defended by the LDP.

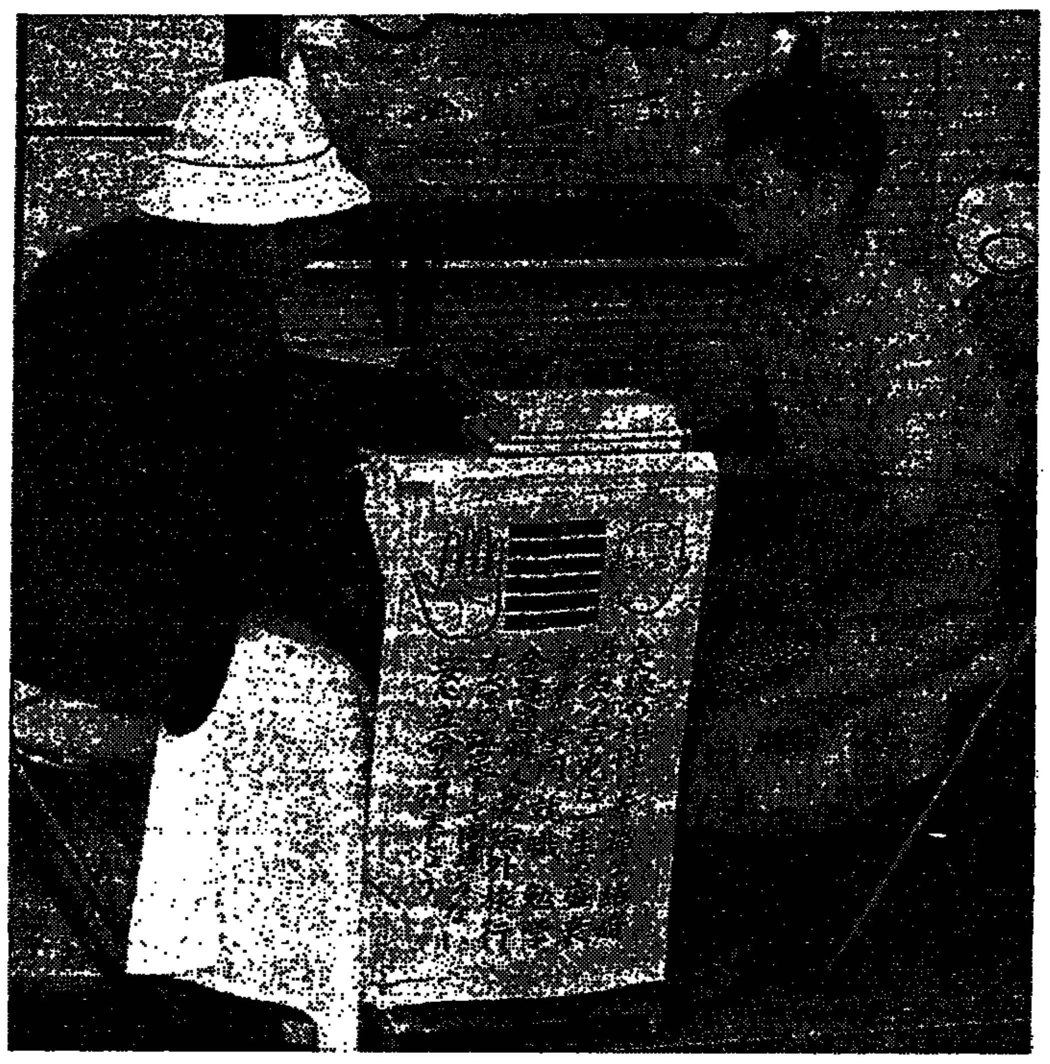
However, the LDP would probably be able to maintain its majority by allying with the conservative Komei, or Clean Government party. In the more distant election for the lower house, where the LDP won 304 out of 512 seats last time, the party could similarly ally with the Komei party in the event of a loss of its majority.

So the LDP would retain control of government but at the cost of sharing power.

One of the biggest surprises of the Tokyo poll was the re-emergence of the Japan Socialist Party. Previous local and by-elections held since the Recruit affair erupted had indicated growing support for the JSP, but the evidence was conflicting. Sometimes the Japan Communist Party was the beneficiary of anti-LDP sentiment. But in Tokyo there was no doubt – the JSP secured 36 out of 128 seats, against the LDP's 42.

A socialist government once held power briefly in Japan in the 1940s and the party was a strong force in the 1950s. But it was weakened by splintering and ideological wrangling. The Recruit affair gives it an opportunity to resurrect its fortunes. But it faces formidable obstacles in drawing up a coherent policy programme and in organising a nationwide campaign. After years of opposition it has some enthusiastic campaigners, including Mrs Takako Doi, its leader, but lacks money and experienced administrators.

The party's supporters acknowledge that it may be difficult to maintain the momentum beyond the upper house elections. Some of the anti-LDP sentiment will subside as memories of the Recruit affair fade. Voters will recall the way they have long associated the ruling party with Japan's phenomenal post-war economic success. The LDP will be hoping that the balm of continued prosperity will eventually cool the political temperature.



A fortune teller in Sugamo market, Tokyo: what premium on the political future?

هكذا من الاصل

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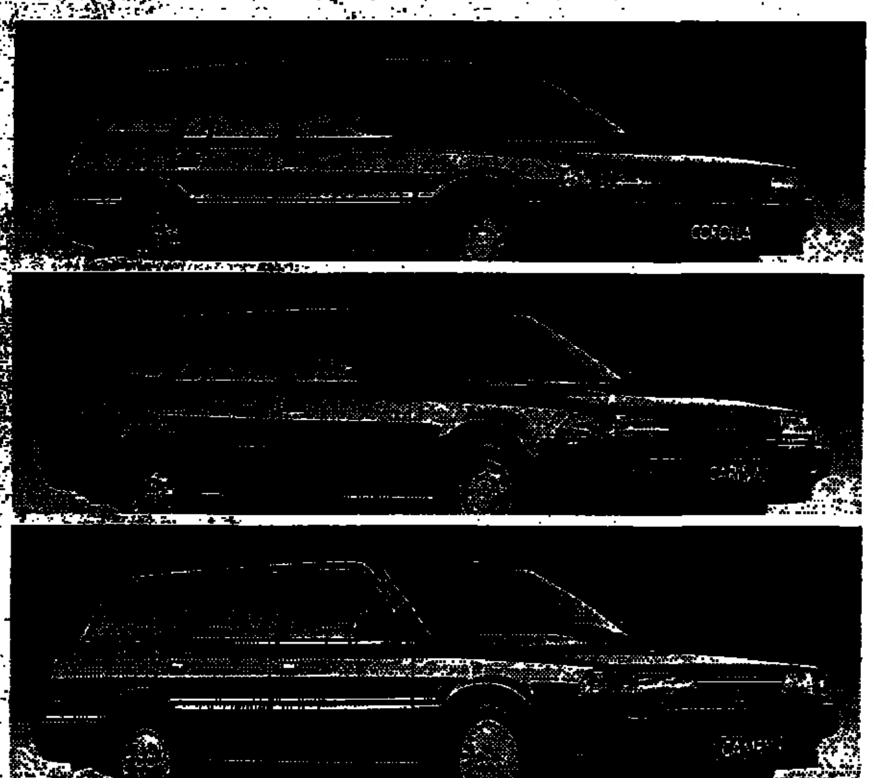

From top: Corolla Estate, Carina Estate, Camry Estate.

Most estate cars appeal to the practical side of your personality. They're roomy enough and dependable but never come close to firing your imagination. Then there's Toyota's new estate car range.

A unique lineup of cars combining all the space and comfort you want with high-performance multi-valve advantages.

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TOYOTA

Foreign policy is in a state of confusion, reports **Ian Rodger**

The line of least resistance

NOTHING COULD have demonstrated more clearly the unhappy confusion in Japan's foreign policy these days than the Government's reaction to the Peking massacre last month.

If ever there was an occasion when a clear expression of outrage, rising above any practical bilateral considerations, was needed, this was it. Such a statement would have shown not only that Japan clearly aligned itself with the civilised world, but that it accepted a responsibility for leadership in that world, regardless of any internal inconvenience caused.

However, no such statement was forthcoming. The Government reverted to its instinctive reaction in delicate cases, slinking into a corner, saying nothing and hoping no-one would notice.

When it became apparent that this would not do, Foreign Ministry spokesmen issued statements to the effect that Japan's relations with its huge neighbour were more complex than those of other nations, notably for historical reasons, and that the Government therefore had to be careful about what it said and did. Sanctions, for example, were out of the question.

Gradually, as the extent of Western outrage at the massacre became apparent, Japan sheepishly fell into line, denouncing the action of the Chinese leadership with sufficiently strong adjectives such as "intolerable" and "unacceptable." But the impression left was of an unfeeling regime, preoccupied only with narrow self-interest.

It would be wrong to be too critical of the Japanese Government for its cautious and unimaginative response. Japan's relations with China are indeed more complex and delicate than those of most other countries, with deep wounds and resentments remaining on both sides from the long period of strife between them ending in 1945. Also, partly because of the disruption of political life caused by the Recruit bribery scandal, the Japanese Cabinet has provided precious little political leadership in any sector in the past year, let alone in foreign policy.

This was probably the kind of occasion when only a strong political leader – someone as conscious of Japan's place in the world as Mr Yasuhiro Nakasone, the former Prime Minister – would have been able to rise above the naturally cautious instincts of Foreign Ministry bureaucrats.

Still, one very encouraging phenomenon arising from this otherwise uninspiring episode was the reaction of many Japanese people themselves.

Hitherto, most Japanese have been indifferent about foreign policy and would never have thought of criticising the Government for any stand it took on any issue. In this case, however, several politicians and even one business leader made clear their dismay at the Government's weak-kneed response, and that provoked many ordinary people to speak up as well.

This case is unlikely to be the last to be clumsily handled as Japanese leaders grope their way towards a foreign policy that is commensurate with the country's suddenly enhanced strength and stature in the world.

The impression was of an unfeeling regime, preoccupied with narrow self-interest

As many analysts have noted, Japan is in a uniquely awkward position. It has become the second largest economy in the world and the world's largest creditor. Thus, the US, the West's uncontested leader since the war, can no longer take initiatives without taking into consideration Japanese views.

On the other hand, unlike previous rising powers, Japan cannot realistically aspire to displace the US as the world's largest economy. And it will probably never become a military power again, so the potential for expansion of its influence is unclear. For its part, the US has not been altogether magnanimous when confronted with situations where it has to share its power with Japan.

Given these unique circumstances, a lively debate has developed in the past year or so on whether the Pax Americana, which has prevailed since the war, will more or less continue, or some form of "bigemony" or "Pax consortis," as one Japanese scholar suggests, between the US and Japan will emerge.

Certainly, the Japanese Government has begun to try to draw some general foreign policy guidelines which would enable it to exercise some leadership that complements that of the US. The main example is in the area of aid to developing countries, where Japan will almost certainly surpass the US to become the world's largest donor this year.

Having recently been a developing country itself, Japan may turn out to have more skills than the US and other Western countries in dealing with the hitherto intractable problems of development.

In the past, the country has been rightly criticised for using its aid programme mainly to promote exports, but it has made considerable progress in the past couple of years in untying large portions of its aid and becoming more imaginative in its development of programmes.

In the past, its focus has been in south-east Asia, in countries such as Indonesia on which Japan relies heavily for oil and other raw materials. Now the aid programme is becoming more global in scope and, perhaps more significantly, is being focused on countries of strategic interest to the Western alliance, such as the Philippines and Pakistan.

In a related move, Japan has taken a leading role in trying to find a way for many developing countries to get out from under their excessive indebtedness. For example, much of the finance for the Brady Plan, announced early this year, will come from Japan.

The other area in which Japanese diplomacy has been showing increasing confidence is in the east of Asia. The country has been active in trying to bring about a reduction of the complicated political rivalries in Indochina, making clear that it is willing to provide money and technical assistance when appropriate. It has also been showing sensitivity towards the easing of tensions between the two Koreas. Whether the recent upheavals in China will affect these developments is still not clear.

Recent proposals from both within and outside Japan for a more formalised Asia-Pacific economic community have been treated gingerly by the Government. Japan would inevitably dominate such a grouping, in much the same way the US dominates the Organisation of American States. It would also arouse memories of the Great Eastern Co-Prosperity Zone which the Japanese sought to impose in the Second World War. However, regional economic co-operation is expanding rapidly even without a formal structure and a name, and will probably continue to do so.

The two areas where Japanese foreign policy has not got beyond the level of noble rhetoric are in relations with the Soviet Union and with Western Europe.

Mr Noboru Takeshita launched the idea of a tripartite sharing of power among Japan, the US and Western Europe in a speech in London in May 1988. The link between Japan and Western Europe was the weak one in that triangle, and Mr Takeshita called for a number of initiatives to rectify that situation.

Not much has come of these initiatives so far, partly because the Japanese feel constrained from developing strategic relations with anyone but the US, and partly because the European Commission, the obvious interlocutor in this relationship, has very little room for manoeuvre on foreign policy without the approval of its member governments.

Relations between Japan and the Soviet Union have been stunted since the war because of a dispute over four islands in the Kurile chain north of Hokkaido captured by the Soviet Union at the end of the war. The Japanese have taken a very rigid stance, refusing to normalise relations until the dispute is settled, and the issue remains an emotional one among Japanese people.

Whether the Japanese Foreign Ministry's approach to this issue has tended to colour its attitudes to the Soviet Union in general is debatable.

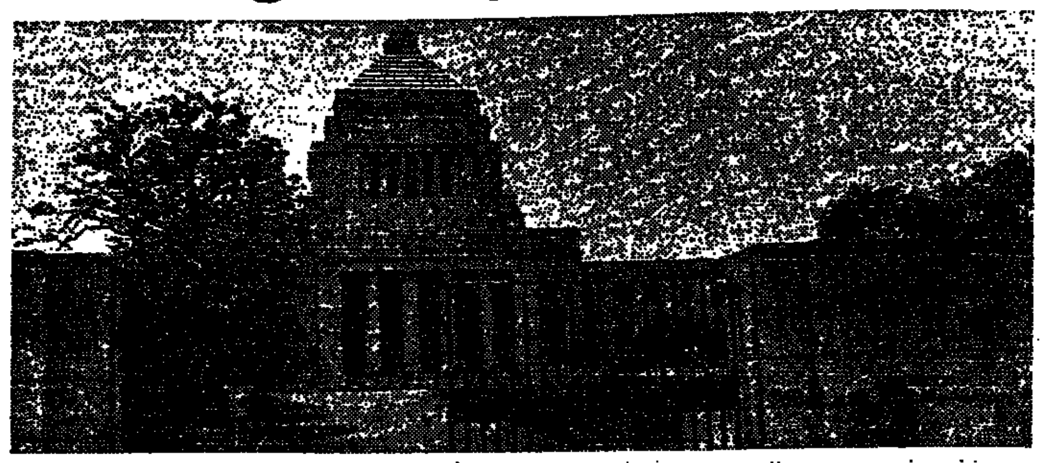
However, it is clear that the ministry takes a much more pessimistic view of perestroika, for example, than do most Western countries. And this looks just the sort of problem that could complicate relations between Japan and other Western countries at some point – just as the Peking massacre did.

THE POLITICAL SYSTEM

Time to indulge in party games

COME ELECTION season, the Japanese cannot ignore their politicians. Broadcast vans cruise the streets, the amplified voices of enlisted young women echoing through apartment blocks in polite expectation of a vote for their candidate, while the local shopping centre becomes a political parking lot, with white-gloved candidates surrounded by larger-than-life portraits of themselves in a faintly smiling, somewhat serene pose.

The mainstream parties, whether capitalist or communist, all indulge in these party games. The oversized rosettes, the sashes and the gloved hand in a Queen-like wave from the window of a passing van are constants. Then television, the semi-public NHK and private channels are obliged to give each regional candidate airtime, and a reluctant NHK, aware that party political broadcasts do nothing for ratings, is compelled to make time for national candidates.



The National Diet building in Tokyo

The larger the party, the more television time it gets. If a party has 25 or more candidates, each politician's speech will be broadcast eight times, but for parties with fewer than eight candidates, speeches will be aired only twice. The rise of smaller, sometimes zany parties is a change in a Japan dominated by one very large party, the Liberal Democratic Party, with a supporting cast of fragmented opposition parties with, until now, no hope of winning office.

For the House of Councillors (upper house) election later this month, the number of "mini-party" candidates has doubled compared with the last election. The anti-nuclear movement is backing a group of virtual single-issue candidates, while a few candidates-cum-satirists have been wandering through shopping centres, wearing masks of well-known cartoon characters.

Japanese politicians, already mocked in a popular film that showed great prescience in its portrait of political corruption, are ripe for satire following the loss of prestige that has accompanied the Recruit financial scandal, which has particularly tarnished the LDP, and the humiliating controversy over Prime Minister Sousuke Uno's call-girls.

Politicians say that the controversies have slowed the vast flow of cash – which includes gifts at weddings and funerals – needed to conduct routine business, let alone the cost of running a campaign. Candidates are forbidden from running door-knock drives, hence the intrusive loud-speaker trucks and the expectation that the palm of the white-gloved hand at the window will be greased.

Public funds are supposed to cover the costs of political postcards, pamphlets and poster boards, but the real cost goes far beyond the limits set under the *Public Offices Election Law*. In the lower house, the House of Representatives, candidates are allowed to spend Y28 a person in campaigning, while upper house candidates are limited to Y8 or Y12, depending on the number of people in their prefecture.

The same law covers one of the more controversial issues in Japanese politics, the system of multi-candidate constituencies in the House of Representatives. Japan has what is described as a "medium-sized constituency system," with two to seven seats a district, after having experimented with large and small constituency systems before the Second World War.

The post-war political system is based on constitutional changes that overturned the pre-war presumption that power starts at the top with the Emperor and trickles down to the people. Now, sovereignty is said to rest with the people, represented by their local members, of which there are 512 in the lower house and 252 in the upper house.

Disparity in vote values between densely-populated urban districts and the less populous rural districts has been an ongoing problem for the lower house. After a 1983 election in which a vote in the least populous district was worth 4.4 votes in the most populous, the Supreme Court declared that the discrepancy was unconstitutional, and a redistribution was gingerly conducted by politicians wary of eroding their own empires.

The multi-candidate constituencies force as much competition between the factions of the ruling LDP as among all of the parties. If a district has three seats, and tradition has it that two LDP and one socialist candidates are elected, local and national LDP factions will argue over the choice of candidates and over whether a third candidate should stand for fear of diminishing the returns of the two sitting candidates.

Typically, an LDP candidate will have had his factional loyalty tested by years of service to a superior, who will then offer support when the candidate's political time has come. Politicians often turn professional at an early age, beginning as an assistant to a prefectural assemblyman. Then, after faithful service, they could be chosen as a candidate and begin the climb up the prefectural hierarchy with a view to a place in the national parliament, the Diet.

It is at the local level that the Japanese politician is at his or her best. The local member is sensitive to the perceived needs of constituents, whether it be representing the interests of a farmers' association or attending a wedding or becoming an office bearer at the local softball club. Politicians complain that residents' expectations, some of them financial, prompted the development of a "money politics" mentality that made the Recruit scandal possible.

Western diplomats and Japanese analysts agree that Japanese politicians are less well-equipped to handle emerging international responsibilities. Professor Takashi Inoguchi, of Tokyo University, says that Japanese politicians generally lack training in issues beyond the national boundaries.

"If you look at the grass roots, they can be very good politicians. They are very aware of their responsibilities to their constituents. But the international statesman-like leadership of many politicians is zero," Prof Inoguchi says.

The division of bureaucratic labour means that individual politicians and leaders have less power than appears on the surface, according to the professor. In the end, most politicians, regardless of their idealism, "are basically there to do a lot of minor things for their constituents."

How much outrage has accumulate in those constituents over the Recruit and other issues will be tested at the upcoming House of Councillors election. If the LDP is to retain its majority, the party must win 54 of the 126 seats being contested. And if the LDP does not maintain its majority, Japanese politics will enter a new and more dynamic phase.

Robert Thomson

PROFILE: ASAHIKO MIHARA OF THE LDP

Caught in a financial trap

ASAHIKO MIHARA'S office in Tokyo's Nagata-cho government quarter looks much like the offices of an aspiring politician in just about any Western democracy.

An aide shuffles papers in a small anteroom; a female secretary brings tea for visitors; reference books crowd the walls. Only the calligraphy appears specifically Japanese.

The illusion that this could be Westminster or Washington is broken by the arrival of Mr Mihara, fresh from his constituency in the south-western island of Kyushu, complaining bitterly that parliamentary democracy in Japan is largely a facade.

Mr Mihara, elected for the first time at the last general election, has spent three years in the Diet (Japanese parliament) as a junior member of the governing Liberal Democratic Party (LDP).

Yet he says he has spent almost no time on policy issues, either before or after he was elected, and doubts that his party leaders either know or care what his political views are.

Under Japan's seniority system, his influence on political events will remain minimal at least until his third parliamentary term, when he might hope to be made a junior minister. Cabinet office, the ultimate reward for loyal party service, is reserved for those who have served at least six four-year terms.

For the moment, Mr Mihara spends almost every waking hour either raising cash or donating it to worthy causes – trapped on the financial merry-go-round that is Japan's "money politics."

Mr Mihara says the system forces politicians, particularly those from the LDP, to break electoral law, and encourages the kind of corruption which led to the Recruit scandal.

Opposition politicians are also vulnerable, but have a more secure base in the trade union or Buddhist movements.

"We have to change our political structure, or we will face a series of problems like Recruit," he says. "Recruit was not the first time something like this had happened, and unless we get reform, it will go on happening."

For the LDP Dietman, the electoral process starts with the nomination of candidates for seats in Japan's multi-member constituencies. Mr Mihara, 42, "inherited" his Fukuoka No 5 seat from his father, an LDP Dietman for 23 years.

Mr Mihara says no-one ever asked him what his political views were – the only criterion was whether he could win the seat for the party. In fact, he says, there are just three conditions for getting an LDP nomination: an acceptable family or academic background; a link with the relevant constituency; and access to enough money for a successful campaign.

For most LDP candidates, the only way to meet the third criterion is to join one of the five large factions into which the party is divided. Mr Mihara joined the Takeshita faction, led by the disgraced former Prime Minister, which then helped to finance his campaign.

Mr Mihara chose Mr Takeshita because his father, elected as an independent in a less electorally expensive age, was a personal friend of the former PM. For Mr Takeshita's campaign managers, Mr Mihara was a bargain buy because of the personal vote expected to transfer from father to son, which reduced the cost of campaigning.

Mr Mihara says he does not know how much it cost to get him elected, but estimates that it was probably about 10 times the Y50m (£22,700) limit in his constituency. He says he saw none of the campaign money, as he was too busy out on the stump.

Some of the money paid for straightforward LDP propaganda. But putting the party's case against supporters of the four main opposition parties is relatively cheap.

Most of the cash was needed to finance a fight for votes with Mr Taro Aso, the other sitting LDP Dietman from Fukuoka.

Mr Aso is a member of a different faction, and has the twin advantages of being related to a famous politician of earlier years and being extremely rich. Mr Mihara claims Mr Aso spends much of his time trying to monopolise Fukuoka's LDP vote.

Getting elected was only the beginning of Mr Mihara's money problems. To stay in the race for the next election, he has to spend every weekend in the constituency, rushing from one local function to another, and being photographed with as many babies as possible.

Many western parliamentarians would recognise this picture of a politician's weekend. But in Japan, there is a further dimension: a Dietman is also expected to make donations to worthy constituency causes. These range from Y5,000 (£22.70) at a typical local gathering, to Y500,000 to a local baseball team competing in a national tournament.

Asahiko Mihara: LDP member of the House of Representatives

On top of this, the huge size of Japanese constituencies (they average more than 1m electors) means that Dietmen have to employ armies of secretaries to keep track of voters' demands.

These include oiling the wheels of the Tokyo bureaucracy for local businessmen, and trying to attract public spending to Fukuoka.

This is a frustrating area of the battle against the more senior Aso, since Mr Mihara admits that, in Japan, nobody who matters listens to a new Dietman.

Mr Mihara says the expenses of a junior LDP Dietman work out at about Y120m a year, compared with his annual gross salary of Y18m. Part of the balance is financed by an allowance of Y9m from public funds and about Y12m from party and factional funds. The rest comes from corporate and personal donations, or from the sale of tickets to fund-raising parties.

Dietmen have to submit annual accounts to an electoral committee set up to prevent abuses – but Mr Mihara says few tell the whole truth because some people do not want their donations recorded.

He says the political system in Japan is unlikely to change quickly because of the vested interests of almost everyone involved, especially in the ruling party. For example, critics like Mr Mihara cannot simply withdraw from the factional system because that would leave them unable to finance their re-election costs.

Yet concern about corruption in the country at large is reflected in the formation by 15 LDP Dietman of the Utopian Political Research Group, of which Mr Mihara is secretary. The group has put forward a four-point plan for reform:

- An increased role for the LDP central bureaucracy, and the dissolution of factions;
- Parliamentary reform to bring procedural and policy issues into the open and stimulate genuine debate;
- Electoral reform to introduce single member constituencies, cut the cost of elections and reduce party infighting;
- Financial reform to end "money politics," primarily by introducing full and transparent accounting for Dietmen and political parties.

"The Japanese people are becoming dissatisfied with the present system of politics. They support what we are saying, but there is still a huge gap between the feeling among ordinary people and that of senior politicians," Mr Mihara says.

Meanwhile, Utopia remains a dream, and Mr Mihara and his rebellious colleagues must continue to find the funds to stay in the business. "I am driving myself stupid. I am like a trained monkey looking for money," he says.

Kevin Brown

PROFILE: SHIGERU ITO

Preparing the script for the coalition cast

Shigeru Ito: chairman of the Socialist Party policy board

MR Shigeru Ito, a key member of the Japan Socialist Party (JSP) and a Dietman since 1976, strides into his office straight from a meeting with his counterparts in the country's non-communist opposition parties.

"We're talking about a federation, a coalition," he says, enthusiastically. "Japan is going through a very important period, and I think we have a great opportunity."

Few would doubt him. The ruling Liberal Democratic Party (LDP) is in trouble over the Recruit shares-for-favours scandal and its unpopular consumption tax, and with the country's powerful farmers. It has to face the electorate at upper house elections this month and lower house elections within the next year.

"The Liberal Democrats have been in power for 35 years," says the diminutive Mr Ito. "Their life cycle is ending. The opposition parties now have greater aggregate support. A coalition is our best hope for winning."

The JSP is the biggest of five main opposition parties in Japan. The others are the Komeito, or Clean Government Party, the Democratic Socialist Party, the Social Democratic Federation and the Communists.

Talk of unity among the non-communist groups is not new. But it has never come to anything, partly because of the Socialist Party's rigid position on old issues like the defence pact with the US and non-recognition of South Korea, and more topical ones like nuclear power.

For Mr Ito, an opposition election win would mark the culmination of an active – not to say patient – working career with the JSP. Born into a farmer's family 61 years ago, he studied economics at the famous Tokyo University, the biggest source of Japan's political, bureaucratic and corporate elite.

After graduating in 1952, he had two offers: a chance to become involved in business through the Keidanren, the powerful federation of business organisations, and an invitation from a cabinet minister to work with the Socialist Party. He chose the latter.

At the time, he had been deeply involved in the neutralist movement opposed to a US military pact. Along with many on the non-conservative side of politics, he felt that US bases would draw Japan into America's conflicts and contradict its renunciation of war.

After some 13 years working at party headquarters, including eight in its central policy-making committee, Mr Ito decided to become a politician. In 1976 he won a seat in one of the five constituencies in Kanagawa prefecture near Tokyo.

Under Japan's multi-member system, he is one of four representatives from the constituency. Two of the others are from the LDP, the other is from Komeito. The constituency itself covers the northern half of Yokohama, a city of 3m.

To garner electoral support, he says he depends on his own back-up organisation of various citizens' groups, on local labour unions and on the Socialist Party members of the prefectural and city assemblies.

He says a Socialist Government would clean up the country's "money politics"

For financial help, he relies on contributions from old classmates, friends and other supporters. He insists he has thrown only one of the now well-known "parties" which politicians nowadays use to raise large quantities of funds.

In the Diet, Mr Ito is a member of the influential house committee on finance and the special committee on security. In the party, he is chairman of the important Policy Board. Ms Takako Doi, the JSP's chairperson, is said to have called him the "brain" of the party.

That said, he is difficult to pin down on the sort of socialism the JSP might introduce if it came to power, and laughs at the observation that Japan might be seen as the world's most successful communist country.

"Ten years ago, China and the Soviet Union were the models," he says. "Now it is totally different. We look to European social democracy much more."

In explanation, he points to the way China and the Soviet Union have sought to learn from the West and from Japan, and the JSP's realisation that it had to alter its image at home as a permanent opposition party.

In the current situation, where the LDP's support is very low, "public expectation is high that the opposition should do something," he says. Of the opposition talks, Mr Ito says simply: "The main cast is there. The script is not yet written. The curtain is about to go up. We have to be ready."

The past is not exactly encouraging. The LDP's long success owes much to the opposition's ineptitude – its internal divisions and obvious lack of mass appeal. The Japanese sometimes say they live under a one-and-a-half party system – that all the opposition parties lumped together do not carry as much weight as the LDP.

Analysts say the JSP's main problem is that it is made up of parliamentarians interested only in power and activists whose adherence to outmoded Marxist positions makes electoral success impossible.

The LDP has come close to losing its majority before, but managed to secure the support of independents in order to retain power. A more likely coalition, analysts therefore suggest, would be between the LDP and Komeito.

According to Mr Ito, a Socialist-based government in Japan would clean up the country's "money politics," improve the living standards of ordinary Japanese to a level consonant with the society's overall affluence and, internationally, push for arms reductions and action on the environment.

Unfortunately, the opposition has not been left untouched by the Recruit scandal. Indeed, the JSP is said by some to have received bribes from the LDP to ensure that the Government's legislation was passed.

On living standards, however, the JSP ought to be on fertile ground. "There is a huge gap between the country's overall economic might and the actual standard of living of the Japanese public," Mr Ito says.

He is also critical of the character of Japan's prosperity. "It has nothing to do with traditional Japanese notions of beauty. Our cities have little culture and aesthetics. We want to change this."

However, consumers have yet to form a real constituency in Japan. And the popular desire to continue Japan's phenomenal industrial growth remains overwhelming.

Like many Japanese, Mr Ito is concerned about his country's international image. He notes how its overseas aid, inspite of mushrooming in size, has not made it more welcome abroad. "We need more positive ideas to be appreciated internationally," he says. "We cannot just serve the interests of the Japanese business community."

But for him the biggest issue now is the fact that for 35 years one party has dominated Japanese politics. He calls the opportunity facing the JSP "a springboard" which can bring it to power and change existing ways of thinking.

The task is to persuade the Japanese people. In this, the JSP's softened ideological stance will help. But its talks with the other parties are crucial. Without an accord, Mr Ito will have to wait somewhat longer for a taste of real power.

Chris Sherwell

Peter Montagnon looks at the emergence of a prominent donor

Untied aid may have strings

WITH NET aid disbursements of $9.1bn in 1988, according to the Organisation for Economic Co-operation and Development, Japan has shot to prominence in the league of international aid donors.

Since the start of this decade, when aid disbursement stood at only $3.3bn, total outlays have almost tripled, and though US aid spending still exceeds that of Japan, the gap between the two countries narrowed to just $550m last year. In more than 25 countries Japan is now the single largest donor nation.

Yet, far from basking in the glory of this new-found generosity, Japanese government officials concerned with aid are wrestling with administrative and policy problems caused by its rapid growth.

At home, the aid programme has come under fire for mismanagement; abroad, it has been criticised for still being too closely connected to Japanese exports and too little orientated towards the real development needs of recipient countries. Even some recipient countries have discovered that concessionary yen loans can be very expensive to repay as the Japanese currency appreciates.

Though officials in the ministries concerned with aid – Finance, Foreign Affairs and International Trade and Industry – say these criticisms are overstated, several admit privately to problems in coping with such a massive increase in the flow of funds.

Japan has a relatively short history as an aid donor, having been a recipient itself as recently as 30 years ago. Its sudden preoccupation with aid in the late 1980s stems from an awareness of the need to recycle its large trade surpluses. This led the Government to set a target of doubling aid disbursements to $50bn in the five years to 1994.

Yet this increased spending has had to be absorbed without any corresponding increase in personnel. According to one official, the ratio of money transferred to staff involved is about four times that of the UK.

Far from implying a high rate of efficiency, this has led to problems, particularly through lack of field staff which makes it harder to appraise projects and in turn lays the Government open to accusations of mismanagement of the aid budget.

Officials say they do have some basic criteria for assessing aid projects. For example, they must meet essential human needs or be relevant to the social and economic infrastructure development of the recipient country. But the standards are by no means as well-refined as those of the UK, where the Overseas Development Administration applies rigorous quality appraisal techniques before, during and after a project is administered.

Lack of available field staff also means that it is usually up to the recipient government itself to propose projects that might be funded with Japanese aid.

In many developing countries, however, the original idea may come from one of the large Japanese trading companies, which has its own staff on the ground and may hope thereby to influence the procurement process.

Western diplomats say this link between the trading companies and the aid programme is one reason why Japan's development aid still seems to be so closely tied to its commercial interests, even though an increasing proportion is nominally untied and open to worldwide procurement. The Government took a step towards reducing the influence of the trading companies two years ago by hiring Britain's Crown Agents and the United Nations Development Programme's Office of Projects Execution to handle part of the procurement for its $500m aid programme for sub-Saharan Africa.

Another problem has been that the Japanese Government habitually uses Japanese consultancy firms for project feasibility studies, even for projects where the aid is untied. Foreign companies complain that this leads to specifications tailored to Japanese practices and pressure has grown over the past two years for consultancy opportunities to be made available to foreign firms too.

The Government has responded by creating limited openings for foreign consultancy firms. This is to be reviewed further, but it has not yet served to allay the impression abroad that too much of Japan's nominally untied aid spending finds its way into the order books of Japanese firms.

According to latest available OECD figures, 46.9 per cent of Japan's aid spending in 1987 was fully untied bilateral aid and a further 16.6 per cent was partially untied in that procurement was open to developing country firms as well as Japanese companies.

These figures are in fact way ahead of other donors. No other country has such a large untied bilateral aid programme. Tied bilateral aid makes up only 11.3 per cent of total aid spending compared with a figure as high as 42.3 per cent for the UK.

Japan has, however, been very secretive about the amount of procurement which is actually placed outside Japan but officials assert that it is increasing despite foreign complaints.

Confidential government figures show that the Japanese procurement share of the yen loan budget, in which most untied aid is concentrated, made up only 46 per cent of the total last year compared with 56 per cent in 1987 and 67 per cent in 1986.

But the lion's share of the balance has been taken by developing countries which benefit especially from the still large portion which is only partially untied. Their procurement orders amounted to 34 per cent of the total in 1986.

The US share remained relatively small at 4 per cent compared with 8 per cent in 1987. That of other OECD countries was 12 per cent compared with 8 per cent.

Despite the problems Japan is now experiencing in administering its higher aid budget, the chances are that it will continue to grow in the years ahead. Officials are adamant that they intend to meet the $50bn disbursement target even though this has become much more expensive in yen terms now that the Japanese currency has weakened against the dollar.

Measured as a proportion of gross national product, Japan's aid is still low by OECD standards at 0.32 per cent, where it is level-pegging with Switzerland and the UK but ahead of only New Zealand, Austria, the US and Ireland.

The medium-term target is to reach a ratio equivalent to the average attained by all OECD donors, which at present is 0.35 per cent. As Japan's economy is growing very rapidly at present, this implies a large increase in nominal aid levels.

The share of Japan's development aid directed towards Asia has fallen as its total volume has increased, necessitating a broader geographic spread. But Asia still receives the bulk of its money and two Asian countries, Indonesia with $700m in 1987 and China with $550m, are the largest single recipients of Japanese aid.

Foreign ministry officials say Japan does not seek to exert political influence on countries which receive its aid. This would be a sensitive matter, given the long memories in many countries of Japanese occupation during World War II.

But Japan does hope that its aid will contribute to social and economic stability, thereby underpinning political stability at both regional and global level.

It is also self-evident that some of its aid serves the purpose of helping maintain good relations with its Western allies. This would be true, for example, of funds contributed to Mexico in support of US-inspired economic rescue efforts, and of the Export-Import Bank loan under negotiation for Nigeria, a country in which the UK has taken a special interest.

With demand buoyant, the fear is the economy may overheat

Prices start accelerating

NAGGING WORRIES about inflation cloud an otherwise bright picture for the Japanese economy and may prompt a further round of interest rate rises later in the year, according to bankers and economists in Tokyo.

Under the continuing influence of buoyant domestic demand, the economy grew by a real 5.1 per cent in the fiscal year to the end of March, surpassing the Government's forecast of 4.9 per cent. The growth rate is only expected to fall slightly, if at all, in the current year.

But some economists now say that such robust activity means the economy is at risk of overheating. Rapid money supply growth, tight labour market conditions, high corporate liquidity, low inventories and higher imported raw material prices as a result of the weakness of the yen this year all point to a rise in the underlying inflation rate.

The concern is by no means as great as that associated with the oil shock of the early 1980s but, says Mr David Pike of UBS Phillips & Drew, "it's an inflation worry which is worth monitoring." Reflecting this, the Bank of Japan raised its official discount rate in May for the first time since 1980. The increase of 0.75 percentage points brought it to 3.25 per cent.

Official figures show that wholesale prices which had previously been depressed by the rise in the yen rose by 3.4 per cent in the year to May after 2.6 per cent in April and only 0.5 per cent in the year to March.

A similar spurt has been recorded by the consumer price index with an April gain of 2.4 per cent compared with 1.1 per cent in March. The closely watched Tokyo consumer price index jumped 3.3 per cent in the 12 months to May.

Part of this increase is related to the imposition during April of the 3 per cent consumption tax as part of the Government's fiscal reform programme. This is not in itself expected to have a lasting inflationary effect, however, and the worrying aspect of the latest figures is that the price acceleration now being recorded goes beyond the impact that would normally be expected from the consumption tax alone.

Among the reasons for this is the weakness of the yen during the first half of this year, which saw the dollar rise above Y150 at one stage in mid-June. This has pushed up import prices, particularly that of oil, whose price has also risen in dollar terms.

So far, wage costs have been growing in response to the tight labour market. The spring round of wage increases produced gains of between 5.1 and 5.2 per cent. This was not much more than last year's 4.4 per cent. "We don't see any conspicuous wage push factor in major manufacturing industries," says Mr Takeshi Ohta, deputy governor of the Bank of Japan.

Inside a suburban bank: a sign that says it all

Yet other economists add that moderate increases in nominal wage growth have to be offset against a fall in working hours, unusually large summer bonuses and a slowdown in productivity gains. This means that unit labour costs, which fell last year, helping to keep inflation down, are thought to have stabilised or even begun to rise.

Finally, the key "M2 plus certificates of deposit" money supply indicator grew at a rapid 9.4 per cent in the year to May, although the rate has fallen by fully three percentage points below its peak in November 1987.

As a result of this combination of pressures, many economists expect further discount rate hikes, even though the Bank of Japan itself has denied that more are planned. Mr Hirohiko Okumura of NRI & NCC, the research arm of Nomura Securities, nevertheless cautions against the assumption that further discount rate increases will be automatic. Much depends on events in the foreign exchange market, where he expects a reaction against the dollar's recent strength with the yen tending upwards again.

The inflationary worries besetting Japan are also in large measure a by-product of a deeper underlying trend which is now well-established, namely the shift away from export-led to domestic demand-led growth.

Though exports have been running at record levels in yen terms over the past year, imports are still growing faster than exports in real terms and the export sector itself is no longer the engine of growth which it once was. "Neither Japanese industry nor the Government sees exports as a major source of growth," says Mr Peter Morgan of Barclays de Zoete Wedd in Tokyo.

Admittedly, activity in the housing sector which was one of the early beneficiaries of the boom a couple of years ago has tapered off. But the underlying trend of consumer spending is thought to be strong, even though it has been distorted first by the death of Emperor Hirohito in January, which dampened activity, and then by the imposition of consumption tax, which boosted outlays in March as individuals advanced purchases ahead of the April deadline.

Above all, high capital spending by Japanese industry is now the outstanding factor in support of higher economic growth. The latest survey by the Bank of Japan in mid-May showed manufacturing confidence at its highest level ever. Major manufacturers planned to increase spending by 17.6 per cent in the current fiscal year on the amount actually spent previously.

These high spending plans are motivated by a combination of record profits, high capacity use and the adjustment process to the steep rise of the yen following the Plaza Agreement of 1985.

This has continued despite the weakness of the yen this year. Business regards this as a temporary phenomenon. Companies are still stepping up their research and development efforts to secure a competitive edge internationally. Many are also engaged in a restructuring effort to secure a share of the growing but highly competitive domestic market.

Despite the high expectations for the current year, the capital expenditure out-turn is likely to be down on last year when major manufacturers increased their spending by 28 per cent, but expectations are that it will remain high. The effect of tighter short-term money market rates has not been fully felt in the long-term capital market and the Bank of Japan's discount rate increase in May was thus insufficient to deter investment spending plans.

The shift to domestic-led growth is now well entrenched in the Japanese economy, having been a feature of the last three years, but its contribution to reducing Japan's large balance of payments surplus is widely accepted as disappointing.

Despite the strength of the yen in 1988 the trade surplus declined by only $2.4bn to $94bn in calendar 1988 after exports rose by 14.4 per cent to $257bn and imports by 27 per cent to $163bn. Even in volume terms exports posted a 4.4 per cent gain, helped among other things by the development of new high-technology products such as video camera recorders.

Mr Okumura believes that as this investment comes on stream, producing an export substitution effect in Japan, the trade balance will tend to narrow in the medium term. It will be a slow process, however, which will leave plenty of scope for trade friction to develop and raise new questions about the basic structure of the Japanese economy and society which many believe is still strongly tilted towards production rather than consumption.

Peter Montagnon

FINANCIAL DEREGULATION

The target: wholesale reform

ECONOMIC IDEALISM has figured prominently in the rhetoric of financial deregulation in Japan. The reality has had more to do with matching the competing claims of the warring factions in the financial community.

The half-completed road to liberalisation is paved with deals in which different kinds of financial company have traded ground in an apparently endless territorial battle.

The rapid growth of Japan's financial markets has done little to ease tensions between banks, securities companies, life insurance companies and the rest. Rather, the size of the pile of capital accumulating in Tokyo has only reinforced the belief that the battles are worth fighting. Equally, the conspicuous expansion of Japanese financial companies overseas has not deflected their energies from enhancing their presence in the crucial home markets.

There are signs that this turf war has reached a critical phase. The Japanese Ministry of Finance believes that piecemeal agreements are beginning to undermine the whole post-war structure of Japanese finance in which different kinds of company are kept in tightly-sealed compartments. So the ministry is trying to win support for a wholesale revision of the system.

Such a reform would have a huge impact not only on Japanese companies but on their foreign competitors and their foreign clients and suppliers. For example, Japanese banks, which are currently allowed only on the margins of the corporate underwriting market, could suddenly be permitted to compete freely both in Tokyo and in the Euromarkets. Life insurance groups could establish investment banking teams.

A sense of what freedom might bring is evident in mergers and acquisitions – an activity which is not regulated in Japan because it did not exist when the rules were drawn up. Virtually every large commercial bank and securities company is now in M&A, as are trust banks and trading companies.

Mitsubishi Corporation, the largest trader, has an M&A department as big as some banks' teams.

Similarly, in retail finance, deposit-taking is the legal preserve of banks. But large retailing groups, such as Seibu Saison, are growing sophisticated consumer finance operations, which lend money, arrange travel finance and issue credit cards.

The growth of these new activities in itself puts outside pressure on the regulated core of the financial system. But the real push for change comes from inside as companies chafe at the restrictions placed on them.

The chief proponents of reform are commercial banks. And their No 1 target are markets currently dominated by securities companies. The battle between these two sides has come to dominate the whole debate over the future of the financial system, to the extent that others, notably life insurance companies, complain that their interests are being ignored.

The banks' cause is not helped by the fact they are divided among themselves between city (commercial) banks, long-term credit banks and trust banks which each want a different form of access to the securities field.

Nevertheless, a Finance Ministry committee sponsored by the ministry's banking bureau in May endorsed two possible reform options. One is to allow different kinds of financial company to compete in new fields through separate subsidiaries. The second is to permit groups to establish single investment banking subsidiaries which could do both banking and securities business – but only with institutional clients. Prompted by the Finance Ministry, banks acknowledge that securities companies would never allow them into broking for retail customers.

A committee connected to the ministry's securities bureau is now studying these reforms. Securities companies remain adamantly opposed to change. But they are under pressure to make concessions in the face of a growing feeling in the rest of the financial community that they make excessive profits.

Investing institutions have repeatedly protested that the 40 per cent share of Tokyo Stock Exchange transactions enjoyed by Big Four securities houses – Nomura, Daiwa, Nikko and Yamaichi – amounts to an oligopoly.

The tentative agenda for reform includes an unprecedented joint meeting between

A battle between the commercial banks and securities companies

the two ministerial review committees in the autumn. Banks concede that reform could be two or three years from becoming reality but take comfort from the fact that once the outlines are in place they will know how best to lay their plans.

They have already been doing so since the early 1980s, consolidating stakes in securities companies, which are limited by law to a maximum of 5 per cent. Trust banks and life insurance companies have been forging similar links.

On a much larger scale, many of the overseas investments of financial companies have been made with the home market in mind. Skills acquired abroad can be transferred to Tokyo as the regulations permit. This was the rationale behind the acquisitions made by Sumitomo Bank and Nippon Life of stakes in Goldman Sachs and Shearson Lehman Hutton respectively. More recently, Japanese groups invested in Chicago futures brokers, in preparation for the opening of the Tokyo International Financial Futures Exchange on June 30.

However, despite all the changes, the hierarchy of Japanese financial society remains intact. The Ministry of Finance, far from losing authority to the forces of free competition, channels them around. Replacing old regulations with new ones, the bureaucrats divide and rule. Within the all-important industry associations old loyalties flourish. Osaka-based Sumitomo Bank, now the most profitable commercial bank, never gets a chance to chair the Federation of Bankers Associations of Japan because that is a honour reserved for Tokyo bankers.

For foreign companies in Tokyo, as much as for the Japanese, this means that calling on the ministry comes before calling on clients.

For as long as the system works on a hierarchical basis, access to information will also be a privilege. This is why some foreign bankers and securities brokers doubt how effective new rules to counter insider trading, which came into force on April 1, will be.

The fact that old habits die hard does not mean reform will peter out. Some of the biggest battles have still to be fought because the economic forces which forced change in the first place are strong. Banks cannot afford to rest without winning more access to securities markets, because that is where their best customers have gone, exchanging traditional bank loans for bonds.

As Japan's population grows older, pension funds will have to generate better returns to fund the growing numbers of retired people. Performance measurement, still in its infancy, will increase competition in fund management, a business currently dominated by life insurance companies and trust banks.

The Finance Ministry recognises that the proponents of change have the better case. The difficulty is that, in the Japanese financial community, logic alone will not win the argument.

Stefan Wagstyl

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Peter Montagnon looks at the growth of futures trading

A milestone in innovation

THE LAUNCH of the Tokyo Financial Futures Exchange last month marks a further milestone in a continuing phase of rapid innovation in Japan's financial markets.

Deregulation of interest rates, which has led to new hedging requirements for local investors, and the perceived need to update local markets in line with international trends, have conspired to produce a transformation in the number and quality of locally available instruments.

The history of this development goes back only a very short time – to the launch of 10-year government bond futures in October 1985 – but already it is slowly starting to create new investment habits as well as to raise fresh questions about Japan's traditionally rigid division between the activities of commercial banks and securities companies.

The launch of the 10-year government bond future was followed in June 1987 and July 1988 respectively by the introduction of stock futures trading on the Osaka Exchange and of 20-year government bond futures in Tokyo. These proved relatively unpopular with the 20-year bond future in particular suffering from lack of liquidity, but this has not deterred Japan from subsequently introducing a wide range of different instruments.

Last year saw the start of trading in Nikkei 225 index futures in Osaka while the Tokyo Stock Exchange launched an index future based on its broader Topix index which groups 1,000 stocks. Activity in both contracts has grown quickly, even though most remains in the hands of professionals and local institutional investors are still relatively reluctant to engage in the type of sophisticated arbitrage techniques common on other major markets.

Moreover, says Mr Mark Akimura of Salomon Brothers Asia, the volume of assets managed by Japan's pension funds and other major institutions is so large that it is difficult for them to use the stock index futures market in any major way because it is insufficiently liquid.

Futures volume is now roughly equivalent to that of the underlying cash market, even though, according to Mr Hiroshi Watanabe, a specialist at Nikko Securities, 80 per cent of the turnover is still for the account of securities house professionals.

Recently the Osaka exchange added stock index options to the list of available instruments and the Tokyo Exchange is due to add a similar contract in October. The first day's trading in Osaka in mid-June was brisk with 27,000 contracts changing hands.

Stock index options could attract strong retail interest

Once again, the bulk of the business was in the hands of securities dealers for their own account, but Mr Watanabe believes that stock index options could eventually attract strong retail interest as investors become more familiar with the concept.

The Ministry of Finance is now considering the introduction of individual stock options within the next two years, he says. This could provide a substantial boost to retail interest in options.

The new financial futures exchange, meanwhile, offers three instruments, a yen/dollar currency contract, a three-month eurodollar contract and a three-month euroyen contract. It is the last of these which has aroused the most interest.

Says Mr Shizuo Nagaki, deputy general manager of the treasury department of Sumitomo Bank, the euroyen contract is the first of its kind in the world and volume is expected to grow rapidly. Less interest is expected in the other two contracts, however.

So far, though, no offset settlement mechanism has been agreed with the International Monetary Market in Chicago and the Singapore International Monetary Exchange for the eurodollar contract. This is expected to reduce the appeal of the contract in Tokyo.

As for the currency contract, Mr Nagaki says it has relatively small appeal to investors compared with the already established forward market and activity is likely to grow only moderately.

The development of futures and options trading in Japan has not been without its teething problems. Not only has the introduction of stock index futures and options posed a new challenge for securities companies used to gaining large commissions from dealing on the cash market and worried about losing market share to foreign companies with their greater expertise in these innovative instruments.

It has also prompted fears of disruption to the underlying cash markets with the advent of the Japanese equivalent of the US triple-witching hour when futures and options contracts expire at the same moment.

A key date in this respect, says Mr Watanabe, will come in September which will be the first time when index options and a futures contract expire together. To avoid disruption to the cash market, the Tokyo and Osaka exchanges plan to use a special opening quotation on the day of expiry as the reference price for settling futures contracts. This would make arbitrage between the various markets harder and allow a full day's trading to complete cash contracts, but it is not yet clear how far it will succeed in reducing volatility.

The structure of the new futures and options markets is carefully designed to preserve the distinction between securities companies and banks. A mark of this is the decision to group monetary instruments separately in the new Tokyo Financial Futures Exchange, while equity-based products are traded on the established stock exchanges.

But the new markets have opened up tentative opportunities for banks and securities companies to make limited inroads into each other's sphere of activity. Banks, for example, are not allowed to broke stock index futures and options, but since the end of last month they can act as sales agents for the 10-year government bond contract, according to Mr Watanabe.

Similarly, securities companies are not allowed to trade currency futures for their own account since this would contravene the long-established monopoly held by the banks on the foreign exchange market. But Mr Watanabe says they may act as brokers in currency futures.

The practical effect of this is very limited, since banks have few customers for bond futures and securities companies have few foreign exchange customers, but some specialists in Tokyo see this as the start of a continuing process of pressure to erode the division between the two types of institution.

Do the securities companies fear most the competition from US and European institutions, with their established expertise in the new markets? Mr Watanabe says that they are more concerned more about having to compete with Japanese banks, especially in the bond area. "The power of the banks is still very strong," he says.

FOREIGN INVESTMENT

Welcome mats and cold shoulders

ASK A Japanese trade official what he sees as the most important part of the Uruguay Round of multilateral trade negotiations and the chances are that he will reply: "The talks related to trade-related foreign direct investment."

A glance at Japan's own experience in this area explains why. Faced with protectionist barriers in industrial country markets and soaring costs at home as a result of the high yen, Japanese companies have been transferring production abroad on an unprecedented scale.

Foreign direct investment this year is expected to top $50bn for the first time ever, compared with $47.02bn in the fiscal year which ended in March. By way of comparison, total outlays on foreign investment in 1980 were just $4.6bn.

Japanese businessmen say there are two strands to this trend. The first is investment in neighbouring countries designed originally to benefit from their lower wage costs. The second is that investment in the US and Europe was motivated by a desire to circumvent tariffs and other trade barriers. In both areas, however, the underlying approach has changed subtly as the current wave of investment activity increased.

In contrast to the days when investment in Asia was intended to raise sales of Japanese goods to the rest of the world, "now it is the Japanese market which is the target of production in these countries," says Mr Katsuhiro Fujiwara of the Keidanren business federation.

Thus Matsushita is now producing air-conditioners for the Japanese market in Malaysia and Sharp is producing microwave ovens in Thailand for the same purpose. Though some Japanese companies such as Honda in the US also export their products back to Japan from plants in industrial countries, the main strategy behind these investments is one of globalisation of production. A commonly held view of Japanese corporate planners is that products should be made in the markets where they are to be sold and tailored to the requirements of those particular markets.

Within Asia there has been a move away from the newly industrialising economies such as Taiwan and South Korea as labour costs in those countries have risen.

Now Malaysia and Thailand, which offer special tax incentives, count among the more favoured countries and Japanese firms are also beginning to look more closely at other Association of Southeast Asian Nations (ASEAN) countries such as Indonesia and the Philippines.

According to Mr Yasui Aoki, director of the investment promotion division of the Japan External Trade Organisation, there are surprisingly few legal barriers to investment in Asia. The problems encountered have been more practical in nature, he says. They include a shortage of Japanese managerial resources, rapid rises in local labour costs and job-hopping by local workers as new companies set up plants.

By contrast, investment in the US and Europe has brought about more political and trade problems. Though many US states welcome job-creating Japanese investment, there is a residual hostility to it in parts of the US political machine, and in some parts of the country there has been public concern over what is perceived as excessive Japanese investment in real estate.

As for Europe, there is continuing uncertainty over local content requirements that may be imposed in connection with the 1992 single market plan. Last year Japanese firms faced a spate of anti-dumping actions by the European Commission in which duties were extended to products made in the Community using more than 40 per cent Japanese parts.

One such company is Ricoh, which makes photocopiers and other office equipment as well as cameras. Ricoh's problems have been compounded by an EC threat to charge dumping duties on photocopiers produced in California for export to Europe on the grounds that they are still basically Japanese products.

Mr Hisashi Kubo, the company's executive vice-president, is typical of many Japanese industrialists when he describes his firm's strategy.

Ricoh's aim is to divide its sales equally between overseas and domestic markets, he says,

Barriers to investment in Asia were practical, rather than legal

but, given Japan's desire to move away from exports, the increase in overseas sales has to be achieved by foreign production. The company has plants in both Europe and the US as well as Taiwan where it makes cameras.

In the US and Europe a main aim is integration with the local economy, he says. This means that research and development should be done locally and the company should use local components. The problem is that the EC authorities "give us an unreasonable timetable" to establish a high level of local content, he says. Using European components can be difficult because of problems with cost, quality and delivery, but Ricoh plans to develop local supplies not least because the cost of importing them from Japan is very high.

Eventually, Ricoh wants to become a fully international company with a high level of integration in the markets which it serves, Mr Kubo says. The function of its head office in Japan will then be to provide finance, carry out research and development in "fundamental technologies" and allocate production to its different branches.

But its experience with the European Community has injected a note of bitterness. Ricoh finds the European attitude hard to understand. Mr Kubo says its Californian photocopiers have been certified as American in the US and that international rules should ensure that rules on local content are fairly applied.

The Uruguay Round may be one forum for developing such rules, but meanwhile Japanese foreign investment is expected to continue apace. There is now also "a lot of advance investment for items that are going to be newly developed in the 1990s," says Mr Aoki.

Eventually, this process is likely to have a profound effect on the Japanese trade balance.

While initially foreign direct investment has boosted Japanese exports because of sales of plant and equipment to new factories abroad, the later stage will involve a reduction in the trade surplus. Japan will itself import from its overseas plants, while goods that are currently exported direct from Japan will be sourced from its plants overseas for third country markets.

Mr Hirohiko Okumura, of the Nomura Research Institute, calculates that the net effect will reduce the Japanese trade surplus by as much as $60bn by 1995, making foreign investment one of the most powerful forces behind a steady reduction in Japan's external payments imbalance.

Peter Montagnon

INTEREST RATES

Deregulation in a critical phase

BY THIS autumn, interest rate deregulation in Japan will have been mostly completed, but individual consumers have just barely begun to feel the effects, and it is questionable whether foreign financial institutions have benefited at all.

Gone are the days when Japanese banks could rely on almost limitless pools of low-cost deposits to finance aggressive expansion in Japan and around the world. At the 13 so-called "city banks," the ratio of deregulated, and thus highly-rated, deposits has been rising rapidly and is likely to hit 50 per cent soon.

But ordinary bank deposits still pay only 0.26 per cent per annum, and the few market-related instruments available to individuals carry a minimum steep even for Japan's prodigious savers at Y3m ($21,000).

Japan's many small financial institutions and the huge postal savings system have fought reform every step of the way, for they have most to lose should consumers be given more choices and higher rates.

Mr Keikichi Honda, director and chief economist at the Bank of Tokyo, says the influence of the postal savings system has been a key issue on regulators' minds. The post office network's deposit base is about equivalent to the combined totals of Japan's four largest banks, themselves the largest in the world. With almost 24,000 branches, it has greater market penetration than any bank.

But other institutions, like *shinkin* (credit associations) and agricultural co-operatives, also have the ear of the Ministry of Finance and Bank of Japan, which fear the effects that unrestricted competition would have on the financial system should large numbers of small players get trounced.

"We need to go further with deregulation, especially on small-size deposits," says an official responsible for interest rate reform in the Finance Ministry's banking bureau. "We would like to reduce the minimum deposit levels as quickly as possible, but we have to be very cautious, very careful about the conditions of these institutions' business."

The official is optimistic that many of these smaller institutions will be able to make the transition to a freer rate environment, but he expects some will be forced into mergers. Opposition to interest rate reform will not succeed, he says, because Japanese consumers are more aware of investment opportunities and are demanding higher rates.

As with so many of the changes taking place in Japan, interest rate deregulation was in part prompted by foreign pressure, particularly from the US. Japan introduced certificates of deposit in 1979, but the pace of reform began to pick up only after the May 1984 release of the "yen-dollar report," a document which committed Japan to greater reform of the money market.

Prodded by US officials and financial institutions, which complained that Japan's tight controls on interest rates and lack of short-term financial instruments served to exclude foreigners, Japan began to liberalise financial products and to introduce new ones.

Some, like yen-denominated bankers' acceptances, have been failures. Others, such as domestic commercial paper, have never developed properly into liquid secondary markets.

"We think there has been a lot of progress, but we will keep pressing on until the job is finished," says a US official involved with the yen-dollar talks. Though the US Government is pleased with how the Bank of Japan has developed the interbank market, the lack of tradeable money market instruments, such as treasury bills, remains a problem. The US had hoped for more transparency in the deregulation process, he says.

In particular, the US expected that the new short-term prime rate system begun by Japanese banks in January would lead to more realistic lending rates and a decreased reliance on compensating balances, but that has not happened in any significant way.

According to Mr Ralph Ziegler, Tokyo branch manager for the Union Bank of Switzerland, "deregulation is in a critical phase for all foreign financial institutions." Mr Ziegler, also head of the foreign bankers' association of Japan, says that even though more financial products are available, foreign banks are suffering from not "having the full liquidity to support our activities."

Without the huge branch networks enjoyed by their Japanese competitors, foreign banks are constrained in the kinds of businesses they can carry on in Japan. That has led some almost to abandon the lending business for more profitable areas such as foreign exchange and bond dealing.

Mr Ziegler wants the abolition of collateral requirement in a liberalised interbank market, "where flows are purely based on supply and demand." But he sees that as unlikely in the near future as the Bank of Japan and Ministry of Finance are concerned at loss of control over the money markets.

The *tanshi*, or money market brokers, are technically independent of the Bank of Japan, and since a package of reforms was instituted last year, more interest rates are determined by the market. But foreign bankers say authorities still exercise strong influence over the activities of the money brokers, and obtaining funds is a problem. When foreign banks can obtain funds, the rates are so high that lending to major Japanese corporations is not an attractive proposition.

A Bank of Japan official says that further progress in interest rate deregulation may be difficult. In the five years since the yen-dollar report came out, most interest rates have been deregulated, he says, so the focus of reform-minded authorities has now shifted to the scope of activities, mainly the separation between banks and securities companies.

Seth Sulkin

CONSTRUCTION

Barriers that may not be there

JAPAN has been in heated disagreement with the West over the openness of its domestic construction market for several years, and the row shows no signs of cooling down.

Despite several apparent advances, the crux of the problem remains the same – western companies claim they are excluded by non-tariff barriers, and Japan insists the market is open to everyone.

The issue has assumed substantial importance at the political level as a test of Japan's willingness to allow foreign competition in the domestic marketplace. But it is also of immediate interest to foreign companies because of the scale of the construction boom under way in Japan – estimated by one US company at $7,000bn over the next 15 years.

Bechtel favours joint ventures with Japanese companies

The initial focus of the dispute was the tendering system for major public sector projects such as the Y1,000bn Kansai airport project, the biggest of a number of projects intended to revitalise the Kansai region, especially around Osaka.

Work started on this project in early 1987 and is due to be completed in 1993. The scheme will turn 1,200 hectares of Osaka Bay into an international airport on the scale of London's Heathrow.

Foreign complaints centred on the system of designated bidders used in Japan, under which the contracting agency invites qualified companies to submit construction proposals and then draws up a list of those to be invited to tender.

The designated list was not formally closed to foreign companies, but construction companies cannot operate in Japan without a licence from the Ministry of Construction – and none had been awarded to foreign companies.

Under pressure from the Reagan Administration, a licence was awarded to Bechtel of the US in late 1987, and the company later won a Y134m contract to design part of a Y1,150bn super highway across Tokyo Bay.

In May last year, Japan and the US reached a more formal agreement intended to open all Japanese public works projects to foreign companies.

Since then, a further six US companies have been awarded licences, together with six Korean companies and one based in France. A number of UK companies have also expressed an interest in acquiring a licence. These include Trafalgar House, Costain, Edmund Nuttall and John Mowlem.

Contracts for foreign companies have been rather thin on the ground, however. Apart from the Bechtel deal, the only public sector project reported so far is the involvement of Schal Associates of Chicago with eight Japanese partners in a Y17.9bn convention centre project in Yokohama. Schal is believed to have 6 per cent of the project.

Several overseas companies are thought to have sought to pre-qualify for other public sector projects, including the Ise Bay Highway, Akashi Kaikyo Bridge and the Tokyo Metropolitan Expressway No 12.

Two contracts involving foreign companies have also been announced in the private sector. Tishman Construction of the US and Aoki of Japan are building an office building opposite Osaka railway station, and Turner of the US is building an office and residential complex in central Tokyo with Kumagai Gumi of Japan.

The slow pace of progress in penetrating the Japanese market has prompted some angry criticism from the US, where the inter-governmental agreement is regarded with some suspicion.

For example, Mr Mark Chalpin, vice-president of the US National Construction Association, and Mr Fortney Stark, a Democratic Congressman, have both claimed the agreement has failed. "Foreign contractors need experience on Japanese projects to get a construction licence. And you need a construction licence to get experience on Japanese projects," says Mr Stark. "What a great Catch 22!"

The American misgivings have prompted a sharp retort from Mr Minoru Fukuchi, director of the Japanese Federation of Construction Contractors, who says they are "grossly incorrect, misleading and dangerous."

Mr Fukuchi says the inter-governmental agreement specifically states that a foreign company's experience outside Japan is to be regarded as equal to that of Japanese companies in the domestic market.

"The domestic market is perceived as closed to foreign companies, but this is wrong," Mr Fukuchi declares.

US construction executives based in Japan are noticeably more temperate than their colleagues and political representatives at home. For example, Mr Michael Farley, a senior manager of Bechtel, says no impediments were placed in the company's way during the two years it took to get a licence.

"There was a very time-consuming process of translation and filing, but it was not unfair. At no time did the Ministry of Construction or the Tokyo Municipality put up barriers to us," he says.

Mr John Moore, Bechtel's senior Far East executive, argues the key to doing business in Japan for foreign companies is patience in building up joint venture relationships with domestic construction companies.

Foreign companies will have to seek joint ventures with Japanese companies in most cases in order to learn how the Japanese sub-contracting system works, he says. All seven US companies which have been awarded licences have joint venture agreements with major Japanese companies.

Mr Yoshio Iwata, managing director of the Federation of Construction Contractors, says foreign companies will find it very difficult to win contracts without the assistance of Japanese companies because the market is so different from those of Europe and North America.

Mr Iwata also echoes the complaint voiced by many Japanese construction concerns that foreign companies are unwilling to undergo the learning process which Japanese companies have been through

"The idea of Japanese people is that if you take a long-term view the company will someday become profitable. But Western companies think only about making a profit from each project," he says. "Many Japanese companies have lost money in foreign countries, but we think of it as tuition and look forward to the day in the future when we will harvest the reward. We think that is what the foreign companies should do in Japan."

Kevin Brown

Opinion on energy production is shifting, reports **Chris Sherwell**

New factors in the equation

ALMOST UNNOTICED abroad over the past couple of years, three new and unexpected factors have entered Japan's always-awkward energy equation.

One is the emergence of widespread popular sentiment against nuclear power, strong enough to have the electric power industry deeply worried.

The second is growing official concern over the atmospheric warming effect promoted by carbon dioxide emissions from coal-burning (the so-called "greenhouse effect").

Third, and surprisingly, there is a renewed emphasis on oil, significant enough to halt the trend of declining dependence which Japan has sought since the two "oil shocks" of 1973 and 1979.

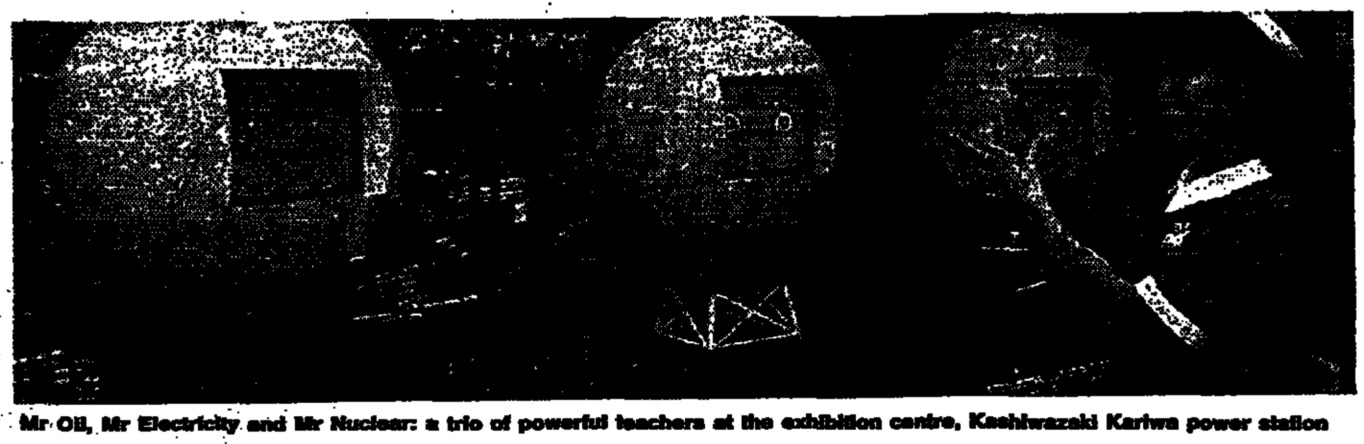
Shifting public opinion on nuclear power was confirmed in a survey by the Asahi Shimbun daily newspaper last autumn. It showed 46 per cent of those polled were against an expansion of nuclear power, and only 29 per cent were in favour. A majority (56 per cent) felt there were dangers beyond human control.

An earlier survey by the Prime Minister's Office showed 85 per cent of those polled were uneasy about nuclear power, although more than 60 per cent expected it to be a main source of the country's energy.

In the wake of the Chernobyl accident, groups of housewives have joined environmentalists and Socialist Party activists to voice their concerns. As elsewhere, their main worries focus on the risks of a nuclear accident, the hazards of exposure for workers, and the handling of radioactive waste.

Japan's Nuclear Safety Commission has insisted the country's plants are safe. But the Citizens' Nuclear Information Centre, based in Tokyo, claims to have documented dozens of incidents and malfunctions at Japanese nuclear plants.

These concerns represent an important development for a country which, in spite of its unique and horrifying experience of nuclear bombs, has



Mr Oil, Mr Electricity and Mr Nuclear: a trio of powerful teachers at the exhibition centre, Kashiwazaki Kariwa power station

embraced nuclear power generation of electricity in a bid to reduce its dependence on imported oil.

In one of the biggest nuclear programmes in the world, Japan now has 37 nuclear stations with a total generating capacity of 28,000 megawatts (MW).

These already supply about 30 per cent of the electricity which Japan uses, and nuclear generating capacity is scheduled to rise to 41,500 MW in 1995 and 53,500 in 2000.

Japan is also building a demonstration fast breeder reactor, and working to develop a full nuclear cycle, including uranium enrichment, nuclear reprocessing and waste disposal.

But instead of going ahead aggressively, the Japanese nuclear industry is battling to overcome growing public concern and regain the initiative.

A survey confirmed shifting public opinion on nuclear power

Only last month, a feasibility study was abandoned for a plant on a new site in Kochi prefecture on the island of Shikoku because of local resistance.

Some in the industry hope that the ecological problems of coal will help the cause of *nuclear energy as a clean* energy source. But it would take an unacceptably large nuclear programme to replace coal in the Japanese energy equation.

Inevitably, these obstacles are prompting a re-assessment of Japan's overall energy balance. A decade ago, Japan was reliant on oil for 73 per cent of its energy generation. By 1985 the level had been cut to 55 per cent, though for this the country still remained totally dependent on imports.

Over the same period the share contributed by nuclear power trebled to around 10 per cent, and the proportion coming from natural gas doubled *to around 9.5 per cent. Coal's* share also rose sharply.

Until recently, the official expectation was that oil's contribution would continue to fall, moving to about 45 per cent by the year 2000 while changing little in absolute terms.

Projections show a rising demand for oil *in the next few years*

But projections by the Ministry of International Trade and *Industry and by the oil industry* now show a rising demand for oil over the next few years, and an overall contribution which could remain above 50 per cent.

This is of considerable significance for the oil companies. The main reason for it is continued strong economic growth in Japan and the Pacific region. Being Japan's "swing supplier" of energy, oil will be in strong demand – and compared to the 1970s, the country can more easily afford to buy it.

In a similar fashion, the expectation regarding nuclear power was that it would continue to enjoy rapid expansion. Government projections in 1983 *suggested nuclear energy* would contribute 13.4 per cent of the total by 1995, and 16 per cent by the year 2000.

Energy analysts now expect one or more of the 20-odd nuclear plants planned for the next few years will not go ahead because of public disapproval. At the same time, however, the electricity industry is resuming operation of mothballed oil-fired plants in order to meet an upsurge of electricity demand.

Assuming demand remains strong, Japan clearly faces some difficult options. Because the share contributed by coal is unlikely to expand from current levels of 17-19 per cent, one likely beneficiary could be liquid natural gas, which has lower carbon dioxide emission levels than coal or oil.

Japan imports LNG from Indonesia, Malaysia, Brunei, Abu Dhabi and Alaska, and is shortly *to start taking supplies* from Australia.

Apart from being used to generate more electric power, LNG's share of final energy consumption could increase through the development of gas-powered air conditioning and regional heating/cooling systems based on gas.

Hydropower might be another beneficiary, using Japan's rugged terrain. Its contribution, like that of coal, is projected to increase in absolute terms, but hitherto its share of total energy supply has been expected to remain about 4 to 4.5 per cent.

Dependence on the *outside world remains* painfully obvious

Alternative energy sources – like solar and geothermal – are available, but not in large enough quantities. Japan is also heavily involved in fusion research, *in co-operation with* the US, but this is not expected to yield meaningful results until the next century. Conservation meanwhile remains essential, but even here too little is being done.

Clearly, the new and conflicting pressures in Japan's energy equation pose enormous problems.

At this point, the country seems unlikely to reduce its reliance on nuclear power or coal, and faces a heavier need for imported oil. To a visitor, its overall dependence on the outside world therefore remains painfully obvious.

AGRICULTURE

The price of the paddy fields

IN THE heart of suburban but congested Kawasaki, outside central Tokyo, traditional farmers are planting rice in paddy fields near the Nagoya expressway. Nearby is a nursery, an orchard and several vegetable plots.

As incongruous sights go, it takes some beating. About one quarter of Japan's population – some 30m people – are crammed within 30km of the Imperial Palace in central Tokyo. Yet dotted across this mammoth metropolis is a maze of "urban farms," relics of an agricultural past.

The tiny farms are the result of post-war land reforms imposed by the US to give tenant farmers full ownership, and a distorting taxation system which favours farmland. An elaborate system of subsidies, striking even by European Community standards, adds further support.

The difference between Japan and the EC, however, is that Japan is not an exporter of agricultural products. On the contrary, it is the largest agricultural importer in the world. In the year to March, it spent more than $37bn on imports, some 60 per cent more than three years earlier (when the yen – admittedly – bought fewer dollars).

Many of the imports come from the US, which supplies feed grain, meat and processed meat products, soya beans and fruit. Indeed, Japan is the US's biggest farm product market, larger even than the Soviet Union. But that has not stopped farm products becoming a sharp bone of contention between the two, and with other trading partners such as Australia.

Foreign countries want Japan to tackle the one issue traditionally regarded as sacrosanct: rice

Over the past two years or so, Japan has responded by initiating large changes. In particular, it has agreed to lift import quotas on a wide range of agricultural product groups by 1992, including beef and oranges – both sources of friction with the US.

Although these quotas are to be replaced by increased tariffs, the changes mean that movements in international prices will be reflected in Japan's domestic prices, and that overall levels of protection will decline.

According to a calculation by the Australian Government – which joined the US push for changes in the Japanese beef regime – the nominal rate of protection for beef in 1991 could still be as high as 95 per cent. But this will be no more than half the rate of protection in 1986, and further assistance will have to appear as an explicit item in the Japanese Budget.

Two results are certain to follow. US (and Australian) farm exports to Japan will grow further. And Japanese investment in cattle ranches, feed lots and abattoirs in the US and Australia will expand. In fact, both countries are already concerned about potential losses from transfer pricing by vertically integrated Japanese meat combines.

Beyond these significant reforms, the international community is seeking shifts in other features of Japanese farm protection – the way producer prices are calculated, for example, the existence of state trading monopolies in rice, wheat and sugar, and the operation of blending and health regulations. All have been used to restrict market access.

Most of all, however, *foreign* countries want Japan to tackle the one farm issue it has traditionally regarded as sacrosanct: rice. It has deep religious and symbolic importance for the Japanese people. It receives hefty government subsidies, and is then sold to consumers through special outlets at an extraordinarily high price – six to eight times world levels.

Most Japanese still believe this is the cost of maintaining a high degree of food self-sufficiency, of ensuring "safe" (that is, uncontaminated) food and even of keeping farmers in work. In fact, rice's place in Japanese eating habits is declining, as irreversibly as the country's overall degree of food self-sufficiency is weakening.

Unsurprisingly, some Japanese consumers recognise that the recent high value of the yen has not brought them cheaper food prices. They see that high food prices, together with the related matter of high land prices, have depressed their purchasing power. According to one estimate, these factors impose costs of up to Y250,000 a year per household.

The Government last year and in 1987 reduced the price it paid to rice growers – the first such moves since the 1950s. There was an expectation that the price might be reduced again this month. But the Government is facing upper house elections and is under heavy pressure because of the Recruit shares-for-favours scandal and the unpopular consumption tax. Recent indications were that it would baulk at another reduction.

Structural changes are under way. The problem is that they are too slow. Over the past 40 years, the proportion of farm families with less than one hectare of cultivated land has remained about 70 per cent. In that time, the actual area cultivated has declined, and the number of people actually working on farms has fallen.

With an increasing proportion of all farm households cultivating small farms part-time, abolition of the Government's intervention would presumably have relatively little effect on the majority of farmers' incomes. That in turn makes the system difficult to defend as a device to protect farmers' living standards.

Secondly, Japan's farmers are ageing even more rapidly than the population at large. In 1960, 29 per cent of the farm population was over 65, compared with 10 per cent in the population as a whole. By 1995, 43 per cent will be over 65, compared with 14 per cent of the whole population. If young people do not stay on the farms, the sector will wither naturally.

Finally, the political clout enjoyed by farmers may be moderating. Their strength in the past has owed much to unchanged electoral boundaries and to Nokyo, the powerful 8m-strong farmers' co-operative movement.

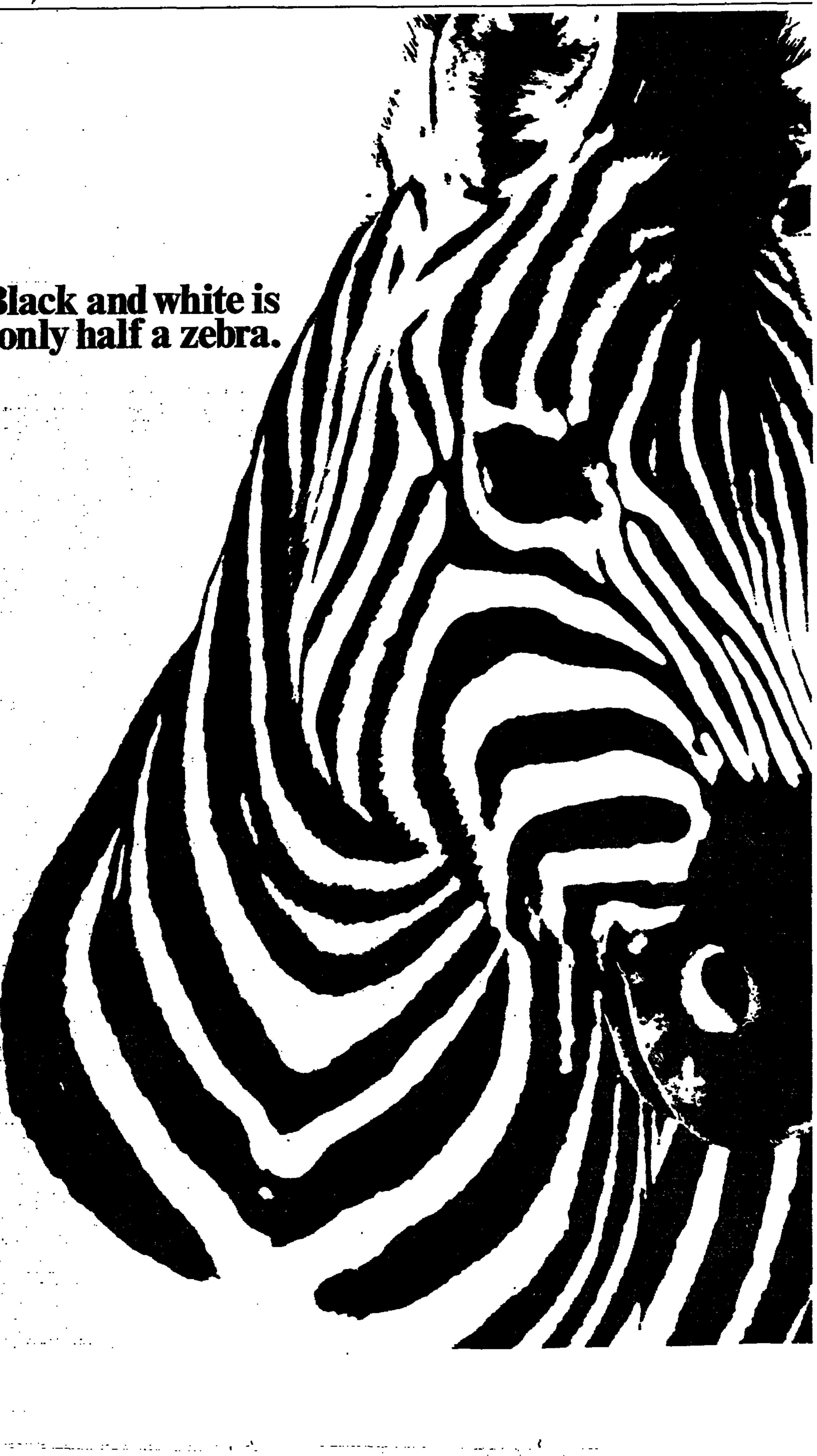
Political parties are recognising the importance of cheaper prices to urban voters. And within the bureaucracy, the Ministry of Agriculture is acknowledging that something must be done about rice.

What the reluctant farmers want is more time to adapt. Even Nokyo recognises that farm productivity will have to increase through amalgamation of existing small farms.

But given the pressures in the Uruguay Round of Gatt talks, it is an open question whether they will get it. In spite of the impact of the changes, foreign pressure over rice seems unlikely to ease.

Of course, no one seriously believes freer access for Californian rice in Japan would redress the two countries' trade imbalance problem. But of its wider benefits, both for Japan and the world, there is little doubt. Unfortunately, one of the casualties in Tokyo, unless some care is taken, will be its last precious patches of urban green.

Chris Sherwell



Kevin Brown spotlights a growing problem

'Underclass' of foreign workers

JAPAN'S post-war economic success has brought unprecedented prosperity. But it is also causing an influx of foreign workers into a country which prides itself on its cultural homogeneity.

In fact, it is an illusion that Japan is ethnically monolithic, despite some politicians' claims that the country has no racial minorities. That ignores both the Ainu, sometimes described as Japan's aborigines, and the Korean community, whose presence dates largely from Japanese colonisation of the Korean peninsula before World War Two.

However, the continued growth of the economy has led to increasing demand for foreign workers from other countries, mostly the poorer parts of Asia, to do the hard, dangerous and dirty jobs that Japanese no longer want to do.

The Immigration Bureau of the Justice Ministry says there were just over 941,000 registered foreigners living legally in Japan at the end of 1988, of whom the great majority were Koreans (667,140). Chinese (129,269), or Filipinos (32,185).

Other Asian population groups were much smaller. The Thai community numbered 5,277; of the others, only the Bangladeshi, Cambodian, Indian, Indonesian, Malaysian, Pakistani, Singaporean and Vietnamese communities amounted to more than 1,000.

There were larger numbers of European, North American and Australian workers. Many of these, however, would have been expatriates employed by foreign companies.

Of the Asian ethnic groups, many of the Koreans are permanent residents who have declined to take Japanese nationality, partly because naturalised Japanese are required to adopt Japanese names.

Of the rest, most entered the country as students, entertainers or trainees; a few as skilled labourers, technicians or teachers. There trends reflect the priorities of the countries from which the immigrants come, and their freedom to leave. For example, 41,357 of the 71,026 people who entered Japan on entertainers' visas last year came from the Philippines, but there were only 1,349 Filipinos among 35,107 overseas students who came to learn Japanese. By contrast, China sent only 576 entertainers, but 28,256 language students.

These figures, however, cover only legal immigration, which is restricted to skilled workers, and make no allowance for the unskilled labour for which Japanese industry is crying out.

The Immigration Bureau estimates that there are around 54,000 illegal workers in Japan; unofficially, the bureau admits the number is probably at least twice that. Mr Takashi Ono, a Japan Times journalist who specialises in immigration matters, says the total may be as high as 200,000.

FOREIGNERS LIVING IN JAPAN*

North & South Korea	677,140
China	129,269
US	32,766
Philippines	32,185
UK	8,523
Thailand	5,277
Vietnam	4,763
Brazil	4,159
Malaysia	3,542
Canada	3,510
West Germany	3,222
France	2,744
India	2,730
Australia	2,585
Indonesia	2,379
Bangladesh	2,130
Pakistan	2,083
No nationality	1,658
Singapore	1,084
Cambodia	1,021
TOTAL	941,005

*Major nationalities living in Japan at end 1988.

The motivation is simple on both sides: workers from the poorer Asian countries can earn in a day what it might take a month or more to earn at home, while employers benefit from cheap labour. One construction company manager estimated that a Korean labourer could be hired for a third of the Japanese rate, a Chinese for a fifth, and a Bangladeshi for a tenth.

Sadder still is the plight of the so-called Japayuki-san who crowd the chat bars of Tokyo – young women who enter the country on tourist visas to stay on to work as hostesses or prostitutes.

Much of the labour is supplied to employers by the Yakuza – the Japanese Mafia – which recruits workers in their home countries, obtains tourist visas and then helps the immigrants stay in the country illegally after their visas have expired. Sometimes, the Yakuza will also help to find lodgings, which usually means sharing a room with five or more other immigrants.

The Rev Hidetoshi Watenabe, a Protestant pastor in the port city of Yokohama, says there are three Yakuza labour offices in the immigrant area where he ministers. The gangsters take half of the average Y10,000 a day paid for illegal labour.

Mr Watenabe claims the Japanese Government turns a blind eye to the presence of illegal workers because the casual work they do provides essential flexibility in the otherwise rigid labour market.

Increasing numbers of illegal workers have sparked a debate about how Japan can maintain its prosperity without depending on an underclass deprived of civil rights and a share in the nation's growth.

Broadly, the two sides of the debate are defined by the Economic Planning Agency, which would like to legalise unskilled immigration to cope with the labour shortage, and the Justice Ministry, which wants to restrict immigration on cultural grounds.

The arguments were put succinctly in a recent televised debate in which the economist Keitaro Hasegawa claimed employers could find Japanese workers if they paid reasonable wages, and called for deportation of illegal workers to prevent future cultural clashes. The opposite case was put by the writer Taichi Sakaiya, who sought to legalise unskilled immigrants on economic and humanitarian grounds. He also pointed out that in earlier years Japanese workers had emigrated to richer countries – notably the US and Brazil.

Mr Watenabe, who runs the Association for Solidarity with Foreign Migrant Workers, says the Government could not stop the flow of illegal labour even if it had the will to do so because of the strength of the economic advantage on both sides.

"If we want to have economic growth, then we must accept the foreign workers," he says. "We have had this problem for half a century, and have failed to resolve it. There are about 1m Koreans here, including those who have been naturalised, and they are still discriminated against, even in elementary schools."

In the short term, the Government is moving towards cracking down on illegal workers by introducing hefty fines and possibly prison sentences for employers convicted of hiring workers without proper visas. The Bill implementing this regulation is thought unlikely to become law until next year because of the Recruit scandal. Even then, it is not clear that the Government has the means or the will to police the hundreds of thousands of small sub-contractors who might employ illegal labour.

A longer-term solution may be the introduction of one- or two-year visas for unskilled workers, which would allow the Government to give them some civil rights while avoiding the creation of a permanent immigrant community.

However, there is no guarantee that workers would not continue to overstay their visas. Given legal status, they might also want to bring their families to Japan.

"I think we will be forced to open the door because it has already been broken down," says Mr Watenabe. "The Government proposes to make the immigration law even more strict, but it is just adding a lock to a broken door. It will cause more suffering without curing the problem. There will not be fewer illegal workers, but more exploitation."

LEISURE

The message: 'work less'

A teenager listening to pop music in Yoyogi Park, Tokyo

THE GOVERNMENT is in the third year of an attempt to persuade the workaholic Japanese workforce to work fewer hours and take more holidays. There is little evidence that it is succeeding.

Japanese workers put in an average of 2,111 hours at work last year, compared with 1986 figures (the latest available) of 1,924 in the US, 1,983 in the UK, 1,655 in West Germany and 1,643 in France.

Embarrassingly for the Government, the Japanese total has fallen hardly at all since 1984, when workers averaged 2,116 hours, and is actually higher than in 1983, when the average was 2,098 hours.

None the less, the Ministry of Trade and Industry (MITI) has drawn up a five-year plan calling for a reduction to 1,800 hours by 1992.

MITI's public line is that this target is achievable because the Government is simply encouraging industry to meet a demand for more leisure time from the Japanese people. Privately, however, bureaucrats accept claims by independent analysts that the target is unlikely to be met.

This is partly because of the structure of the Japanese economy, which relies heavily on overtime and part-time working to provide labour flexibility in a society where most workers have a guaranteed job for life.

As the economy continues to expand, a labour shortage is developing which is drawing in increasing numbers of "guest workers" from abroad and increasing the pressure on Japanese workers to work overtime.

In addition, many Japanese workers need high overtime earnings to help compensate for poor social services and high prices, especially for consumer goods and housing.

However, cultural and social pressures play an important part in the willingness of Japanese workers to spend long hours at the office or in the factory. This is reflected in the reluctance of Japanese workers to take full advantage of their relatively short holiday entitlements.

The Ministry of Labour says average holiday entitlements increased from 14.4 days in 1980 to 15.1 days in 1987, but the take-up rate fell from 61 per cent to 50 per cent.

Independent analysts say even this figure may be an over-estimate of the true position, since it does not take full account of the tens of thousands of small companies which sub-contract to Japan's large and medium-sized manufacturing sector.

The reluctance to take holidays – inexplicable to many Westerners – is partly explained by the Japanese group mentality, which makes many people uneasy about being away while others are working.

This is why most of the holiday entitlement which is used is taken around the time of the public holidays during Golden Week in May, or at New Year, when Japanese traditionally return to their family homes.

Other cultural factors inhibiting holidaymaking include peer pressure from colleagues who may resent being left to hold the fort, and concern about the impact of frequent absences on promotion prospects – important in a society where most people never change their job. There is also a shortage of leisure facilities and holiday destinations within Japan, although this is being rectified.

The Government has made several attempts to reduce working hours, including cutting the basic working week from 48 to 46 hours and increasing the number of public holidays to 16.

However, the main element of MITI's strategy is to encourage the spread of the five-day working week, which appeared in Japan in the early 1970s, but stalled after the first oil crisis.

In 1985, the latest year for which figures are available, 27 per cent of the workforce enjoyed a regular five-day week, but millions worked five and a half days, and six-day working was still common.

Government officials say there has been substantial progress since then, notably in January, when the financial sector moved to a five-day week, and in February, when public agencies started closing on two Saturdays each month.

It is not clear, however, what the next step will be. MITI is studying the implications of legislating for a national five-day week, but there is a reluctance to make shorter working hours compulsory.

MITI claims the demands for more leisure time are being led by younger Japanese who are becoming more consumption-minded. It is encouraging trade unions to build on this by asking for more holidays, and plans to promote demands for more holidays from student graduates by publishing a league table of entitlements at major companies.

However, the demands of younger workers, not yet burdened with families and housing loans, appear to be out of line with the wishes of the majority of the workforce.

Mr Kosho Yamada, a senior researcher at the government-sponsored Leisure Research Centre, says the issue of demand from younger people is a cover for Government action designed to ease trade frictions. "There is no demand for more leisure from the Japanese people; it is being imposed by the Government for reasons of international relations," he says.

Though Mr Masahiro Maeda, director of MITI's Industrial Structure Division, rejects this analysis, he admits that it will be "very difficult" either to persuade workers to reduce hours or to make the five-day week compulsory.

Mr Osamu Naito, deputy director of MITI's Leisure Development Office, says companies are likely to offer better conditions to attract workers as the labour market tightens.

But he adds: "In Japan the social structure is such that we cannot really impose something like this, we can only set a goal. Once we have seen that it is working, then we can make it a law."

One thing that no-one is worrying about is the impact of shorter hours on the economy. MITI estimates that a reduction in average hours to 1,800 a year would increase productivity per hour by between 0.7 and 0.9 per cent because of investment in new equipment and higher morale.

The Government says Japan would also get richer if people worked less because there would be a positive impact on Gross National Product caused by increased spending in the leisure market. MITI figures estimate that GNP would increase by 1.7 per cent if working hours were cut to 1,900 a year, and by up to 2.4 per cent if the full planned reduction to 1,800 is achieved.

The Government is likely to be frustrated, however, by the continued reluctance of the workforce to take it easy. This extends to those such as Mr Yamada whose job it is to find ways of persuading people to take more leisure.

Does he take more than 50 per cent of his annual holiday entitlement? Of course not. He is too busy to get away.

Kevin Brown

CRIME

Still at the foot of the league

A BRITISH photographer, visiting Tokyo, recently remarked on the honesty of its citizens. "I left my camera on the pavement in a street in Ginza (central Tokyo), and when I returned to look for it 10 minutes later, it was still there," he said incredulously.

Apart from the Lilliputian houses, the litter-free streets and the minuscule portions of food served in restaurants, foreign visitors to Tokyo often marvel at the safety of the city's streets, even at night.

According to Japan's National Police Agency (NPA) the number of criminal cases reported last year was 1.61m, of which serious crimes of murder, violent assault and rape, burglary and arson accounted for less than 1 per cent of the total, at 6,582.

Japan's crime rate is the lowest of the major industrialised countries, according to statistics compiled by the Japan Institute for Social and Economic Affairs. The homicide rate per 100,000 inhabitants in 1986 was 1.4, compared with 8.6 in the US and 4.3 in the UK. Robbery cases in Japan were even fewer in comparison with leading Western countries, 1.6 per 100,000 inhabitants against 225.1 in the US and 60.1 in the UK.

Statistics concerning drug abuse and drug-related crime, in particular, point to the success of Japanese law enforcement officials in stemming the tide of narcotics abuse. Drug-related cases totalled 32,019 last year, of which the majority involved methamphetamines and only 2,242 were related to the abuse of other narcotics such as marijuana and opium. Only 81 arrests were made for cocaine and heroin offences last year, up from 72 the year before.

Mr Yoshinori Kawana, assistant director of the drug enforcement division of the National Police Agency (NPA) believes that one reason why drug addiction has not reached levels seen in other industrialised countries is that there are fewer occasions for people to come into contact with narcotics. Japan's geographical isolation helps, since almost all narcotics, including methamphetamines, are imported and subject to strict customs checks. Users as well as dealers may be prosecuted under the country's laws.

Social pressures also play a part. While the Japanese are surprisingly forgiving of excesses committed under the influence of alcohol, the use of drugs for recreational purposes is socially unacceptable.

The low rate of narcotics abuse has also meant that crime related to drugs has been limited. Last year criminal cases by offenders under the influence of methamphetamines amounted to 155, down from 183 in 1987.

Tokyo is probably a safer place than most other urban areas in the world to go for an evening jog or to walk the dog after dark and is no doubt more drug-free than any other major city worldwide. However, recent statistics show that crime, in its various manifestations, is on the increase.

Last year set records for the amount of heroin confiscated and the number of arrests for opium offences. Add to these growing methamphetamine abuse, and one can see why the authorities are concerned by a wave of drug abuse that affects all levels of society.

"The use of methamphetamines used to be limited to members of criminal gangs," says Mr Kawana of the NPA. "But recently it has spread to ordinary citizens, including housewives and youths."

What has been more disturbing to the public at large, however, has been a growing number of murders and kidnappings. The murder, earlier this year, of a young woman by seven youths, who had imprisoned, raped and tortured her for two months and subsequently placed the body in a steel barrel, highlighted the rising tide of senseless and brutal crimes committed by juveniles which has become a major social issue.

But perhaps more unsettling has been the chain of kidnappings and heartless murders of young girls in Saitama Prefecture, to the west of Tokyo, since last summer. So far, three girls have been kidnapped and murdered while a fourth is still missing. In the most gruesome case, the murdered five-year-old girl's body, which was found discarded in a cemetery, had been tampered with and dismembered.

Mr Yukio Akatsuka, a social commentator, has studied trends in crime in Japan over many years. "Crime used to be a means to an end," he says. "People stole money to buy bread. Nowadays, crime has become an end in itself so that the brutality escalates, the sickness escalates."

Mr Akatsuka points out that a trend towards senseless, mass murders can be seen in many affluent countries. The US had its Son of Sam and England had the Yorkshire Ripper. In these cases the murderers appear to enjoy the very act of killing itself. "It is as if the crime is committed to fill a void that is created by a feeling of estrangement."

In many cases the criminals have contacted the media to publicise their own activities. Five years ago, a group of extortionists kidnapped the president of Glico, a large confectionery company, and threatened to poison its products unless a ransom was paid.

The criminals sent extortion letters to other confectionery makers and many notes to the media signed by "the man with 21 faces," after a villain in a popular children's detective series. One confectionery maker was instructed to throw Y10,000 notes off the roof of a building.

The Japanese police, who have an enviable record in solving the more straightforward, old-style crime through patient investigative work, are almost helpless when it comes to solving this new type of "theatrical crime," as Mr Akatsuka calls it, even though they have a lot of evidence.

"The man with 21 faces" has still not been identified. The letters sent by the murderer of the young girl to the victim's family are perhaps useless as clues without an understanding of the psychological needs that motivated the murders.

Mr Akatsuka points out that, unlike the US, there are no university departments of criminology or crime research institutions in Japan. "There is going to be a need for more co-operation between the police and specialists in psychological analysis," he says.

Michiyo Nakamoto

NEWSPAPERS

Taboos are not what they were

IN THE complex and often cosy relationship between Japan's press and politicians, there had been an unspoken and unpublished understanding that a parliamentarian was entitled to his geisha or at least the occasional call-girl without the fear of finding his exploits described in the "serious" newspapers.

But the widely-published revelations about Prime Minister Sousuke Uno's past call-girl connection and disparaging details of the apparently ungenerous prices paid for services rendered have changed the terms of the press-politician relationship and are a sign of a deeper structural change in the country's newspapers.

The sex scandal involving a woman who initially concealed herself under the name "A-san" took a curiously Japanese path into print. A weekly newspaper, the Sunday Mainichi, published details of the dalliance, which was widely-known among but unreported by political journalists. The story was picked up by the Washington Post and, under the guise of satisfying the national obsession with what foreigners think and write about Japan, the local press then made an issue of the matter.

Mr Toshitaka Hayashi, research director at the Japan Newspaper Publishers' and Editors' Association, says that reporting of the scandal and, more importantly, the Recruit political scandal have reflected changes in the making for several years: "You can see these changes in the style of reporting. Editors realised the importance of the Recruit problem and appointed their own investigative journalists."

A significant development, he says, is that reporting of Recruit was not confined to the political journalists who have developed close and, in some cases, compromising relationships with the politicians they are assigned to cover. Mr Hayashi explains that journalists, normally hand-fed information by politicians and bureaucrats, are becoming more independent-minded in their researching and writing of articles.

Coverage of political and governmental matters is done by the cliques of journalists known as "*kisha* clubs," which are attached to departments and politicians. The line between obligations to the powerful figures about whom journalists write and to the free flow of information can become blurred, as the club members do not want to compromise long-term relationships.

"The *kisha* club system can be dangerous," Mr Hayashi admits. "It has a lot of problems, but I would not say that it has only demerits. You have to take into account Japanese thought, which is communal thought. With the *kisha* club, and the rest of society, if you are not a member and on the inside, then you stay outside the system."

The Newspaper Publishers' and Editors' Association is particularly perturbed by a tangible fall in public respect for the press. The credibility problem was not helped by a confession in May by the Asahi Shimbun, one of the serious papers, that a photograph taken of the initials "K Y" carved into coral and published to further the cause of environmental protection was faked. The staff photographer had done the damage himself for the sake of a good picture.

"The defaced coral whose photograph was printed was deliberately scratched by our photographers. We apologise deeply," the newspaper said. As is the way in Japan, responsibility was shared around – the managing editor and photo editor had their pay cut, as did five other officials.

Japanese have come to expect such things from the less serious newspapers, including one called the Daily Tabloid, which serve the weary salaryman on his way home with a menu of baseball, crime and sex stories. Even Focus, a magazine which likes to think of itself as Japan's Life and Time combined, is delighted to have an excuse to publish a picture of a topless nymph under the subject heading "erotica."

Political journalists have developed close and compromising relationships with the politicians they are assigned to cover

Now that the Japanese press has overcome some political reporting taboos, its largest remaining taboo is the Emperor. As with other news media, newspapers late last year committed themselves to a massive 111-day campaign to cover the illness of the late Emperor Hirohito. Generally, the difficult historical questions raised by the Emperor's wartime role were lightly touched on, if not avoided, and the public was made to feel guilty for going about normal business.

The coverage raised the issue of news control by the editors of the main national newspapers, who are reputed to call each other to discuss the collective handling of sensitive stories. Mr Hayashi says that while the *kisha* club system contributes to a standardisation of news, "it is a myth" that rival editors consult each other frequently.

He argues that the trend is toward more individuality in coverage, including the use of by-lines for journalists and an emphasis on good writing rather than the dry style that has characterised the leading papers. Both trends are said to be a response to television, which has enhanced its news coverage in recent years and made news more palatable for the masses at the expense of evening paper circulations.

Advertising revenue has risen with the surge in domestic economic development in the past two years, pushing growth in newspapers to 14 per cent, above television's 12.1 per cent growth, and the highest increase since 1980. Growth had fallen to a mere 1 per cent in 1985 after five years of successive decline, and is expected to be about 9 per cent this year, as the economy remains strong.

Circulation growth of newspapers last year was about 1.5 per cent, with morning papers reporting an increase of 2.1 per cent and evening papers a fall of 1.5 per cent, the third year of decline. The circulation of newspapers per person was the highest in the world at 584 copies per 1,000 people, up by six copies from 1987.

Robert Thomson

TRAVEL BOOM

It's OK to have fun

SHEPHERDED GENTLY by the Ministry of Trade and Industry, Japanese workers are slowly getting a taste for leisure activities that Western consumers take for granted.

Embarrassed by its massive trade surplus, the Japanese Government is working hard to persuade more people to take it easy, and there are tentative signs that the medicine may be working.

The Government has the double objective of increasing the tourism deficit to offset Japan's persistent current account surplus and stimulating the domestic economy to promote imports and reduce export productivity.

Gradually, Japanese consumers have got the message that it is now officially OK to be seen enjoying yourself on the ski slopes or golf course, instead of slaving away at the office.

The Japanese leisure industry grew slowly between 1985 and 1987 – from Y52,100bn to Y54,000bn – but the rate of growth is now picking up rapidly. MITI says the market is expected to be worth Y65,900bn by 1990, and over Y100,000bn by the end of the century.

Much of the increased demand appears to be coming from young Japanese. A survey carried out for the Japan Productivity Centre, for example, showed that 64 per cent of people in the 20s said they would prefer more holidays to an increase in income.

The first strand of the Government's strategy is to increase the number of Japanese travelling overseas from 4.5m in 1985 to 10m by 1991. In fact, the response from consumers has been so great that the total is likely to reach 10m this year, and 11.5m by 1990.

The main beneficiaries of the travel boom are countries in the Asia Pacific region. The most popular single destination is Hawaii, accounting for 1.1m of the 2.1m Japanese visitors to the US in 1987, followed by Hong Kong (1m).

The US-administered island of Guam is also increasing in popularity, particularly for weekend breaks. Over 400,000 Japanese visited it in 1987.

Other popular destinations include South Korea (890,000), Singapore (540,000), Thailand (350,000) and Taiwan (800,000). Canada and Australia are increasing rapidly in popularity – the latter has a booming trade in wedding packages.

France (200,000) and the UK (150,000) continue to be popular among older Japanese, but growth is slower than for destinations in the Asia Pacific region, partly because of the relatively short length of Japanese holidays, which average only 8.5 days.

China was heavily tipped by most Japanese leisure industry analysts as a major destination for the future, but confidence is likely to be severely dented by the massacre of pro-democracy demonstrators in Peking earlier in the summer.

There are other constraints on growth, notably the special demands of Japanese tourists – who usually travel in groups and stay in top class hotels, and tend to be uncomfortable without easy access to fluent Japanese speakers.

More seriously, demand is running up against capacity at Osaka and Narita airports, Japan's two main international airports, which together account for more than 80 per cent of overseas departures.

There are plans for a significant expansion of capacity at Narita by 1991, but airport capacity is likely to remain a serious restriction on growth until at least 1993, when the new Kansai International Airport is due to open.

Nagoya Airport, located at Japan's third largest city, is said by some observers to have potential for expansion, as is Fukuoka, in the south.

However, the scope for major expansion at other regional airports is limited, since most of the potential travellers live in the heavily populated area between Tokyo and Osaka.

Domestically, attention is being focused most closely on the need to build up the leisure infrastructure, particularly by promoting major theme parks and resort developments.

These developments are also being used by the Government as a way of stimulating recovery in local economies hit by the closure of coal mines, steel mills and shipyards.

Several luxury resorts have already been established, including the Alpha Tomamu Resort owned by the Sekikyo Group and the Vacance Village at Saboru, owned jointly by Club Med and Seiyo Corporation.

The increased private sector activity has helped to push the Government into offering precisely targeted financial help to trigger developments in the most advantageous locations.

Under the Comprehensive Resort Area Development Law, passed in 1987, the Government provides substantial tax benefits and allowances to developers of resort projects, and also pays for associated infrastructure development.

A number of resorts have been completed in this way, mostly aimed at the youth market. However, future developments are expected to cater for families and the so called "silver," or retirement market.

A boom is also under way in the provision of sports facilities, notably golf courses, which are still comparatively rare in the crowded Japanese islands.

Analysts say the number of courses is likely to reach 2,000 by 1993, an increase of more than 30 per cent over 1985. The attractions of the ancient Scottish game are increased by the marketability of golf club memberships, which have appreciated by 400 per cent since 1982, and are now worth upwards of Y6.5m.

The beneficiaries of the golfing boom will be the handful of construction companies, led by Taisei, Kumagai Gumi, Kajima, Ohbayashi and Takenaka, which specialise in the design and construction of courses and clubhouses.

Other major growth areas in the leisure sector include restaurants, notably expanding chains such as Royal and Denies, and the marine sector, which is showing strong growth in everything from cruising to diving.

The number of privately-owned motor boats, for example, is up from 10,000 in 1985 to 19,700 in 1988, and the number of yachts from 10,000 to 62,000 over the same period.

According to the Ministry of Transport, the Japanese cruise market grew from 36,000 passengers in 1978 to 76,000 in 1988 and is expected to accelerate further.

There were no indigenous cruise operators until recently, but NYK and Mitsui OSK both now operate small cruise ships, and five more are on order from Japanese shipyards, which will benefit in turn from the opportunity to master the special skills involved in building passenger ships.

Kevin Brown

Chris Sherwell looks at the emergence of the defence equipment industry

A 'build it ourselves' philosophy

STEEL, CARS, electronics – what next for Japan? The answer, according to the Japanese, is aerospace.

Not plain aircraft, but jet fighters, engines, avionics, missiles, rockets and satellites. Among the controversial keys to success will be military spending – more specifically, a defence equipment industry.

Japan is already one of the world's biggest military spenders after the US and the Soviet Union, though the actual amounts spent are significantly smaller. Its defence budget is currently expanding at 5 to 6 per cent a year under a Y18,400bn five-year programme which ends in March 1992. And the now-notional defence spending ceiling of 1 per cent of gross national product means little with the economy growing rapidly.

In its equipment outlays the Government spends its biggest lump of defence money on aircraft – around Y474bn in the current fiscal year, Y380bn in fiscal 1988. But the fastest growing sector is missiles, which last year took Y160bn. Another Y170bn went on ships.

Outside the military sector, other large sums are being spent by government and the private sector on a civil aircraft industry, and in support of a comprehensive space programme. The space effort cost Japan Y140bn in the year to March, spent on development of a large launch vehicle, communications and observation satellites, and plans for an unmanned space shuttle and a space station.

All this could be done more cheaply by buying items off the shelf from the US. But ask Japanese officials why the country is set on reinventing the wheel, and the response is quizzical. "Why not?," they ask. "We must have our own capability. We must learn by doing." Japan, in other words, is thinking more about the industry than the products.

The outside response to the inexorable rise of Japan's aerospace capability, and particularly its defence equipment industry, reached its noisiest peak yet earlier this year, with the row over the FSX (Fighter Support Experimental) fighter aircraft to be jointly developed with the US.

Under a memorandum of understanding concluded last November, General Dynamics of the US was to provide Japan with airframe technology relating to its F-16 fighter. In return, the US was to receive any refinements to US-developed technologies incorporated in the F-16 and access to Japanese indigenous technology.

But the deal provoked such controversy in the US that Washington had to re-open negotiations on specific points. In the end, these guaranteed the US a share of about 40 per cent of production, restricted the transfer of technology to Japan and ensured US access to Japanese improvements to F-16 technology – specifically in composite materials used for the fighter's wings, and phased array radar, also developed by Japan.

Underlying the row were US fears that Japan was securing technology developed through US military spending which it would then use to oust the US from a market it dominates – another example of the so-called "free ride" which Americans find objectionable.

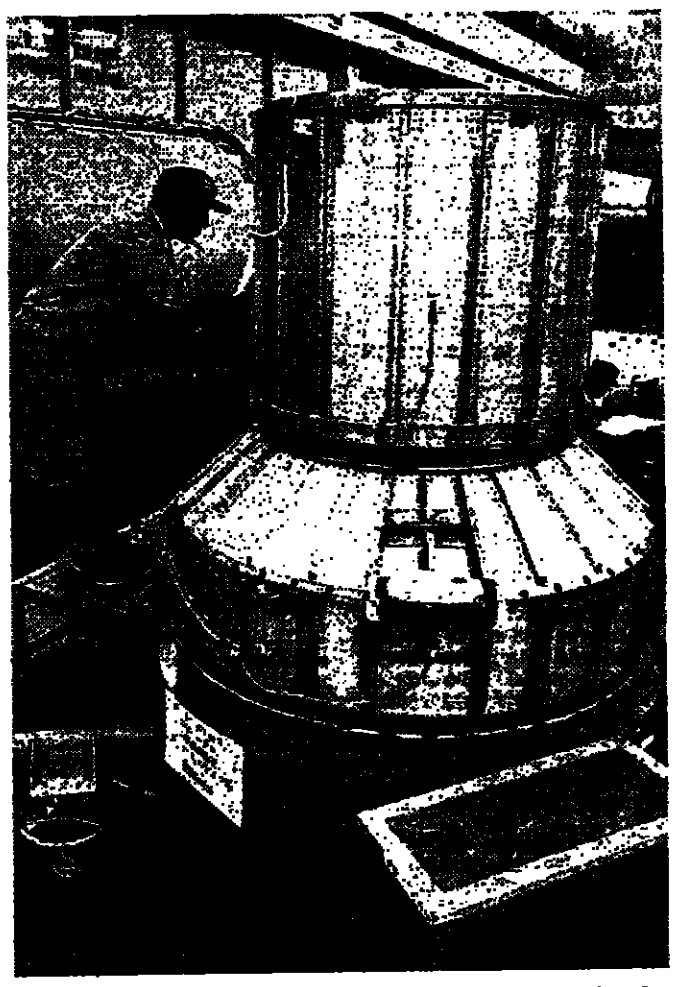
In fact, Japan had to be persuaded not to "go it alone" on the fighter aircraft. Not many people appreciate that a string of Japanese manufacturers is already heavily involved in aircraft manufacture, through co-production arrangements with Boeing of the US for its range of civil aircraft.

The FSX deal, as finally agreed, not only offers the US a number of important technological benefits and financial returns; it also circumscribes future Japanese capability, not least in putting together integrated high-technology aircraft systems.

On the other hand, Japan will save money by not doing everything itself. And it has recognised the over-riding need to co-operate in weapons development with its most important ally in order to ensure the security of the northern Pacific.

The prime Japanese contractor on the FSX project is Mitsubishi Heavy Industries. MHI is the country's biggest weapons maker, with around 15 per cent of its sales defence related, including missiles, torpedoes, ships, tanks and helicopters as well as aircraft.

The first of some 180 FSX aircraft are expected off the assembly line by 1997. Development costs are put at Y165bn, to be shouldered by Japan, and may well go higher. Actual production will perhaps quadruple overall spending, making it a major project by any standards.



Assembly of the H1 rocket at the Mitsubishi Heavy Industries plant at Nagoya

Beyond the FSX, Japan plans to develop a domestically produced military helicopter under the so-called OHX plan. According to the US Government, which detailed the plan in April in its report on Japanese trade barriers, the three companies involved will also undertake civilian helicopter production.

More significantly, the FSX is not, as many believe, the only defence or aerospace-related project of this size. A new medium-range surface-to-air missile project, according to analyst Bruce Roscoe of Warburg Securities, could involve another Y1,000bn, starting in fiscal year 1991.

This is on top of the current major missile project, called Patriot, an air defence system being built under licence by MHI and a clutch of sub-contractors. Japan is also developing ship-to-ship and air-to-ship missiles based on its own SSM-1, which is said to have impressed US experts.

Then, there is the Japanese programme to build four destroyers equipped with the Aegis radar and missile system. The cost of Y122bn a ship is nearly twice that of a conventional destroyer, but Japan is determined to build them itself. With the US defence system and additional ships, the overall cost could also reach Y1,000bn.

part of Japan's overall defence industry strategy seems likely to include exports. The Government has a ban on exporting arms, and would provoke controversy at home and abroad by lifting it. But it is not legislated, and is hardly strict.

Thus, between 1972 and 1985 Japan is estimated to have sold some $1.4bn-worth of defence-related equipment – some of it "dual purpose" civilian equipment with military applications.

The deals include anti-submarine helicopters to Sweden, Burma and Saudi Arabia, navigational radar to the Chinese Navy, patrol boats to Israel, mines and bombs to India and Taiwan and a floating dry-dock for the Soviet Pacific fleet.

Outside the military sphere, Japan remains determined to develop its civilian aircraft industry – though not in direct competition with Boeing, McDonnell Douglas or Airbus.

One idea is to tap the market for smaller (75-100 seat) aircraft which, according to some projections, will be needed in their hundreds in both Japanese and wider Asian regional markets over the coming years. The aircraft would be Japan's first civil aircraft since producing the YS-11 turboprop, described as a technological success but a commercial failure.

Japan has also produced an experimental short take-off and landing aircraft, which first flew in 1985 but the project has since been abandoned because of the difficulty of producing it at a competitive cost.

To succeed with civil aircraft, Japan will certainly need an export market. Here it is likely to take a leaf out of the US book and offer subcontracting to potential buyers, for example in south-east Asia.

Some analysts expect Japan's aid programme to help this effort, particularly as this is the only spending item growing faster than defence.

Whatever happens, it is clear that Japan wants aerospace to be one of its most important industries within 20 years. It is already offering competition in components. Before long, it will be joining battle for the aircraft markets. The only question is whether they will be large enough to accommodate everyone.

Four distinguished Japanese personalities look at key aspects of the country's business and social life

Paying back debts

JAPANESE industrialisation owes much to the generous technological transfers and help rendered by Western countries. Many Japanese scholars and industrial leaders have studied in those countries, helping to build the foundations of Japanese science and technology.

Almost all Japanese leaders and senior citizens, who struggled to rebuild the economy after the devastation of World War Two, truly recognise and appreciate the helping hands extended from friendly countries. We are long overdue to return such debts and to extend similar hands to the developing countries.

How is Japan going to contribute to global technological progress by promoting more basic research and development? How could Japan overcome its traditional adaptive culture and educate creative researchers? These are some representative questions frequently asked by foreign correspondents.

We are now solidly determined to fulfil our responsibility by overcoming many difficult cultural, social and political problems. For all of us, it is clear as crystal that Japan cannot survive without symbiotic relations with other countries, regardless of the degree of their advancement.

There has never in Japanese history been a better social climate than we have now for the promotion of science and technology.

The mass media has been reporting daily world news of science and technology and frequently presenting special programmes discussing problems and promotions of creative research and development. The Government has also been acting seriously to promote basic research and to meet our global responsibilities. Various ministerial white papers clearly reflect this policy.

Being free of government budgetary restrictions, private industry has been rapidly increasing its R&D investments in domestic as well as overseas companies.

Our recent efforts on globalisation have not been well appreciated by foreign governments and the public, perhaps because of the strength of lingering adverse images of "Japan Inc." However, I think that foreign researchers who have attended international conferences and especially those who have visited Japan are well aware of our current efforts.

In some areas, such as microelectronics, the Japanese contribution in regard to number of papers exceeds 20 to 40 per cent, even at conferences held overseas. In my company, NEC, every year about 8,000 engineers visit other countries and exchange technical information, participating in conferences and visiting customers.

A total of 253 out of 900 scientists and engineers in our central research laboratories attended various conferences held abroad and presented 355 technical papers in 1988. Our laboratories accepted 827 foreign visitors in 1988 to exchange technical information.

These statistics show how open the Japanese company is and how much effort we have been making to advance world technology. I would emphasise that all these communications are carried out in foreign languages, not in Japanese. Talking and writing in English requires about 10 times as much effort and expense for Japanese, compared with doing it all in Japanese.

English is compulsory for Japanese students from the seventh grade to the 12th grade and most students spend at least 20 per cent of their time for study. Someone commented that a lack of Japanese creativity is partly caused by studying English.

Michiyuki Uenohara on how Japanese research and development is contributing to global technological progress

Japanese have well demonstrated their capability to extend original scientific knowledge and to refine and apply original technology. Do Japanese hereditarily lack creativity, as we are accused by many people? I don't believe so. I don't like to hear such indications of weakness, backed by Nobel Prize statistics.

Japanese scientists have made many original contributions in science and technology. Most of them have not been acknowledged as original, since they were delayed in original publication or they were not published in English. Many original technologies were developed overseas and reimported to Japan, since the Japanese industry was still in a catch-up stage. We have the ability to contribute as much as those in advanced countries and the situation has ripened to utilise such abilities.

Many foreigners, as well as Japanese, are concerned about Japanese homogeneity and suspect that the college entrance examinations system may inhibit creativity. There are still many young researchers who have not been disturbed by such concerns. We may further be able to increase creative researchers by improving the social system.

The number of foreign researchers in Japan, in universities and especially in industrial laboratories, will increase very rapidly, due to the increasing shortage of engineers. This will add some heterogeneous environment in the Japanese laboratories and will also help improve global technology transfers.

NEC has been accepting foreign resident researchers for over 20 years. We have had very many mutually beneficial experiences.

Of more than 150 researchers and trainees we accepted in the Central Research Laboratories, most returned to their home countries after one to *three years and joined very* reputable organisations. Only three have remained as permanent members; one has been promoted to become the manager of a research laboratory.

The Japanese Government has been increasing research funds and the number of posts for foreign researchers. However, the increase has not been as significant or as visible from overseas as we would like.

We are now proposing that the Government should invest in selected institutions and utilise uncommitted supports from the industry, in order to increase the number of centres of excellence. We also want the Government to increase the number of centres of Japanese study for aiding foreign students and researchers.

These efforts will not show results overnight. But by the end of this century, our efforts will surely be appreciated.

The writer is senior executive vice-president and director, NEC Corporation.

Work ethic takes a knock

IN JAPAN'S classical *rakugo* there is the following episode. (*Rakugo* is a humorous story with an unexpected twist at the end for regaling the audience.)

Turning to an apprentice who slept all the time and did not work, the master reproved him saying: "You've got to be more serious." And when the apprentice disaffectedly asked in turn: "What will happen if I work seriously?" the master said: "What are you saying? Just by working all out, you will make money." The apprentice then dubiously asked: "What will happen if I make money?" The master said wearily: "What a fool you are. If you get to that stage, you can stay sleeping without slaving away." Whereupon the apprentice immediately retorted: "I've already gone to sleep."

In the post-war period, Japan has reconstructed itself and now it can be counted among the major economic powers, attracting the attention of the world.

During this historical process, job perception among the young has undergone considerable changes, and these changes can be broadly divided to reveal the distinctive characteristics of four periods.

The young people of the era from the end of the war in 1945 to 1968 comprised the generation which could perfectly understand the feelings of the master in the *rakugo* story. That is to say, it was the generation which placed a priority on work above all else. They laboured frantically in order to become affluent in money terms so they could then enjoy themselves.

Young people from 1969 to around 1974 comprised the generation of the period of high economic growth which was sensitive to gradually enlarging social distortions and devoted its energies to campus strife.

Although when they entered employment, they initially took a defiant attitude towards the organisation, as far as the work as such was concerned, they did not dislike it the less for this, tackling it with earnestness and tenacity.

The young people from 1975 to 1985 enjoyed affluence from the time they were born. Having grown up without any particular adversity, they were submissive to the organisation, too meek and lacking in guts.

Moreover, from around this time, although they could become absorbed in work that *they liked, it became apparent* that they tended to take the attitude that it was reasonable to shirk work they did not like.

Now we come to the young from 1986 to the present. As Japanese society is progressively ageing, for these employment is entirely a seller's market, so that they can pick and choose the company as they please.

Being sensitive to fashion, they are extremely calculating in their approach, desiring not only that work conditions be good, but also that the work they engage in be interesting and trendy.

What is more, even when they have become elite, salaried workers in first-rate companies, if the work is not to their liking they do not persevere and quickly resign.

The young people of present-day, opulent Japan take the view towards work that they do not want to be involved in anything dirty or uninteresting.

Kazuo Ido says companies must be more aware of changing job perceptions among young people

On the other hand, there are numerous immigrants entering Japan, chiefly from south-east Asia, on the basis that if they can get much higher wages than by working in their own countries. It is said foreigners presently employed in this kind of work in Japan number 80,000 to 100,000.

Given this situation, what course of action should Japan take from now on? The answer is that it must study the matter very carefully while learning from the precedents in Europe.

Turning our attention to the labour unions, the distancing of the young from them, accompanying the progress in the diversification in values, is becoming an extremely serious problem. While the estimated ratio of those organised in unions was 35.4 per cent in 1970, by 1988 this had fallen to 26.8 per cent.

Along with the changes in job perception among the young, "Japanese management" (lifetime employment, the seniority system, enterprise unions), which was once the cause of great interest among foreign countries, is inevitably changing also.

There used to be an expression "executive attendance," meaning that after passing through the time of commencing work employees slowly took on an air of importance.

But nowadays it is no longer at all strange for the superiors to come into work before their subordinates and for subordinates to arrive later than their superiors.

The distinctive characteristic of the Japanese company in the past has been what is referred to as "*omikoshi* management" (implying that everybody shoulders the heavy burden of work together). But now there is nobody attempting to act as bearers.

Unfortunately, there are still many company executives who have not noticed this. Thus the real problem could well be that the job perception of company management is not changing course. It is my opinion that this in fact is the important problem.

The writer is managing director, Seibu Department Stores.

The country's banks look to an international future

THE COUNTRY'S financial institutions, which have concentrated for most of the post-war period on supplying funds for Japanese industry, have suddenly become major players in world financial markets.

Their advances on the world financial scene have been made in three stages. In the first stage – which lasted until the early 1980s, their role consisted mainly of providing foreign trade finance for Japanese corporations. A second stage, which began in the early 1970s but really took off in the 1980s, involved the financing of Japanese companies' foreign direct investment projects. In both these stages, it must be admitted that the financial institutions were merely following the flow of merchandise or physical assets.

In the current stage, however, the flow of money itself has become the focus of attention.

During the 1980s, Japanese financial institutions have become conspicuous in the eurodollar and other international markets on the strength of the solid economic base that had elevated the country to the status of the world's largest exporter of capital. Since 1986, the annual net outflow of portfolio investment from Japan has reached \$90bn to \$100bn, with most of the funds coming from the country's big institutional investors.

In the 1990s, the global capital flow structure is likely to remain largely unaltered, with Japan most probably continuing as the largest exporter of capital and transforming itself gradually, over the medium to long term, into a mature creditor nation. Japanese financial institutions will continue to find opportunities in the growth of a cross-border flow of funds from and into Japan.

The Tokyo market, having acquired the attributes of an international financial centre, is set to consolidate its position as one of the world's big three

A notable recent trend has been the acceleration of direct overseas investment by Japanese businesses partly provoked by the appreciation of the yen and, in the case of investments in the European Community, in anticipation of the forthcoming market integration in 1992.

Japanese banks have found that they can enlarge their business by acting as financial advisers to these companies, as well as providing their diversifying financial needs.

In Western Europe, Japanese banks are poised to build extensive networks to serve the about-to-be-unified market. However, their primary interest will remain that of servicing the financial needs of Japanese companies operating in the EC market and to become major players in the Euroloan and bond market.

As yet, there is no indication that they want to compete to any meaningful extent in the retail financial markets in any EC member company. This is in sharp contrast to the Japanese banks' major presence in *the retail market in California* and to the early involvement of US banks in the European retail sector.

In peering into the future of Japanese financial institutions, the importance of the home market in Tokyo cannot be overlooked.

Japan's growing economic power makes participation in the Tokyo market essential to large foreign businesses. Tokyo is located in a time zone between New York and London which is becoming increasingly important as round-the-clock trading becomes more widespread. The Tokyo market is attracting a massive volume of foreign capital at the same time as it is becoming an ever larger source of supply of funds.

The total market capitalisation of corporations listed on Japanese stock exchanges is about \$3,800bn, outstripping the \$2,600bn estimate for the US markets by a wide margin. The aggregate value of Japanese shares accounted for more than 40 per cent of the value of all shares on all the world's major stock exchanges at the end of March.

Having added offshore trading and futures trading activities to its scope of business, the Tokyo market has acquired all the attributes of a highly sophisticated international financial centre. It will now consolidate its position as one of the world's big three centres, and as the key centre in Asia.

Banking globalisation will very likely lead to the integration of local financial markets in different parts of the world and render local banking systems more nearly uniform.

Hideo Ishihara says Japan's economic power and the promise of structural reforms in its financial industry suggest that the banks will play bigger roles in the financial markets of Japan and the world in the future

In parallel to the moves to reform the Glass-Steagall Act in the US and the on-going banking integration in the EC, institutional reforms in the present Japanese system, which is based on the separation of securities and banking businesses, are being contemplated.

An interim report by the Ministry of Finance's financial system research council, which was published in May, recommended that banks be allowed to establish investment bank subsidiaries that would engage in underwriting and broking activities. This would allow banks entry into the wholesale securities sector, enabling them to serve the rapidly diversifying needs of their corporate clients.

The implementation of the reform will take some time, but it is nevertheless likely that within a few years the barriers between banking and securities businesses will be largely removed, to the benefit of most interested parties.

Clients will benefit from more competition and service diversification and foreign banks will probably find the reformed system more congenial, so the Tokyo market will become more efficient for all those who use it.

In anticipation of these *reforms*, Japanese banks are already taking up the challenge of introducing innovations in financial services. They are, for example, trying to combine traditional commercial banking with investment banking.

In this effort, they are finding that the ability to clinch a deal is a decisive factor. An effective combination of brain power with capital muscle appears to be the key to success.

Japanese banks are fortunate in having both considerable capital resources as well as access to the highest calibre graduates coming out of the top universities.

However, in the area of modern financial engineering and the development of new products, Japanese financial institutions are still at an early stage. Although they are now in the process of developing their own expertise by hiring many mathematics and science graduates, they feel an urgent need for guidance and this is already providing opportunities for a number of foreign high technology financial institutions.

Japanese banks are also aggressively entering new fields of business, such as securities, investment management, leasing, aircraft financing, overseas real estate, consumer credit and credit cards and futures and options trading. This flurry of diversification reflects the intensely competitive nature of the Japanese banking community, and it will probably be some time *before a shake-out occurs.* However, in view of the high costs and risks involved in new business development, it is likely that each bank will have to settle down at some point into a few niches.

The country's economic power and the promise of structural reforms in its financial industry suggest that Japanese banks will play bigger roles in the financial markets of both Japan and the world in the near future.

Consequently, these institutions will probably be called upon to shoulder larger responsibilities in securing a smooth international flow of funds and in extending essential finance to the corporate and government clients of various nationalities. I am confident that we have the will and the resources to respond to those calls.

Japan and the US: it's better to co-operate than have friction

IN THE years following the end of World War II, the US-Japan relationship gradually changed from one characterised by Japan's one-sided dependence on the US to a more interdependent kind of connection. This change has been particularly conspicuous in the present decade.

For instance, today Japan is the second largest trading partner of the US, ranking only slightly behind Canada. (In 1988, 20 per cent of US trade was with Canada and 17 per cent with Japan).

Japan is the US's largest export market for foodstuffs (last year the US exported \$7.3bn worth of foodstuffs to Japan, some 21 per cent of its total exports of this category). Furthermore, Japan is the largest foreign purchaser of US treasury bonds, having bought nearly half (44 per cent) of the total foreign purchase in 1987.

Unfortunately, however, the deepening of bilateral interdependence has been accompanied by a change in the nature of friction between the two countries.

Friction, which once tended to focus on individual trade items, has taken on a distinctly political colouring. Now, in addition to individual products, it breaks out over "systems and business practices" and "economic security" – in other words, national policy related issues.

Mr Mike Mansfield, former US Ambassador to Japan, has suggested that Japan and the US enter into a free trade agreement. Mr Mansfield's proposal was an attempt to improve the current US-Japan relationship since that of the two nations is "the most important bilateral relationship in the world."

However, distrust is growing very rapidly between Japan and the US. With the bilateral trade imbalance shrinking more slowly this year, the US has sought to place the blame at Japan's closed door, despite the fact that the major reason is *ever-increasing US imports*.

Some members of Congress and industry have pressed for "result-oriented" policies toward Japan, based on managed trade. Moreover, Japan was recently designated a priority country for negotiation under Super 301. In moves like these, we can find the source of today's growing distrust.

Despite denials by the US Government, the Japanese see being designated a priority country as akin to being accused of practising unfair trade, and thus have reacted very strongly to the US action.

They are increasingly dissatisfied with the US for failing to appreciate the efforts Japan has made since the Plaza Accord, such as introducing measures to expand domestic demand and provide better market access through, for example, the liberalisation of beef and orange imports.

Today, it is imperative that the US and Japan act in concert at the various occasions including the Uruguay Round negotiations aimed at creating a new, multilateral free trade order. Yet their relations as a whole are, if anything, worsening. This is a truly unfortunate situation.

The two countries may now stand at a crossroads. In one direction is "the path to stronger co-operative relations", and in the other, "the path to separation."

The choice, however, should be clear: because of their extensive mutual dependence, Japan and the US need further co-operation if they wish to enjoy continued economic prosperity. And, because of the magnitude of the Japanese and US economies, which total 47 per cent of the free world's GNP, a better relationship between the two nations is essential for the stabilisation of the global economic system as well.

On the other hand, "the path to separation" will eventually lead to instability in the world economy, a situation which is unacceptable not only for Japan and the US, but for the world as a whole.

What kind of co-operative framework would be necessary? In view of the potential impact on third countries, it would probably be inappropriate to create a traditional free trade area.

Rather, it would be better to establish a more multifaceted framework for bilateral co-operation which would encourage free economic activity in general, not stopping at abolishing border measures.

Makoto Kuroda says distrust is growing very rapidly between Japan and the US. He argues that if they go down separate paths, it could lead to economic instability, which would be harmful for the world

It should be more comprehensive, covering at least six areas:

□ reduction or abolition of border measures;
□ establishment of rules for new fields such as investment, intellectual property rights, and services;
□ harmonisation of systems;
□ co-ordination of macro-economic policies and joint responsibilities;
□ a dispute-settlement mechanism.

This framework could be called the "Japan-US Economic Co-operation Charter" and indicates the principles of co-operation as well as concrete course for pursuing it in a wide range of areas.

However, efforts to build multifaceted co-operation between the two countries have been hampered most by the fact that mutual distrust has been intensifying without there being any common recognition concerning the causes of friction.

Therefore, in order to prepare for the framing of a Japan-US Economic Co-operation Charter while re-establishing mutual trust, there is a need simultaneously to carry out two joint undertakings: one aimed at reaching a common recognition of problems for establishing mutual trust, and another to gradually move ahead with specific co-operative projects. This can be called "a double-track approach".

Now, when we see the calls in the US for "result-orientated" trade policies towards Japan intensifying, we should remember that calling for results will not automatically produce them. Results will appear only when we find, *through joint efforts*, the correct prescriptions for today's problems and apply them.

As Prof Bagwadi of Columbia University and other scholars noted in the report, "A Statement on Our Trade Policy" (April 1989), seeking results through *managed* trade will not only undermine the efforts being made to promote free trade at the Uruguay Round, but will fundamentally weaken market mechanisms.

The adoption of result-orientated policies could start a dangerous trend in which countries blame others when desired results are not obtained.

In our preoccupation with individual cases of friction, we should not forget that closer Japan-US relations are a "plus-sum game" offering benefits to both countries.

What Japan and the US need now is not "result-oriented" policies which are products of mutual distrust, but "co-operation-oriented" policies.

The writer is acting chairman of Japan Economic Foundation's study group on a Japan-US Free Trade Arrangement and compiled the study group's report in mid-June. In this article Mr Kuroda expresses his own opinion on Japan-US relations while referring to the points made in the report.

R&D has largely caught up with the West, reports **Chris Sherwell**

Increasing the two-way trade in hi-tech prowess

WHEN Alexis de Tocqueville visited the US in the last century, he found Americans too preoccupied with money and gadgetry to be capable of original and creative thought. It is an observation which modern critics of Japan should bear in mind.

Received wisdom has it that the Japanese are "copy cats," and that their easy access to Western technology, ideas and research institutions has given them a "free ride" to moneyed success. The fact that the US did something similar to Europe to reach its present position, and that both had their own "free rides" from colonialism, is conveniently forgotten.

Happily, times are changing. Japan has "caught up" with the West across a range of scientific and technological fields. And its achievements mean it has plenty to teach the West. The result is that Japan will be doing more "basic" or "pure" scientific research. And the traffic in technology will become increasingly two-way.

Such prospects are not obvious to visitors who wander into a Tokyo department store, use Japan's railway system or visit any government office. There, the uneconomic overmanning is so striking it makes the hi-tech achievements of Japanese industry seem even more impressive, not to say improbable.

Nevertheless, the Japanese have turned Western developments – cameras, tape-recorders, photo-copiers, colour television, video-recorders and facsimile machines – into massive money-spinners and foreign exchange earners.

They have also stolen a march in semiconductor technology and advanced composite materials. And they are pushing ahead in nuclear power technologies, aerospace and biotechnology.

Look at any figures relating to technology trade – patent applications, technology transfer, even scientists' travel abroad – and while Japan obviously tends to import from countries like the US and exports to Asian countries, increasingly the traffic is two-way.

The Japanese freely acknowledge their debt to the West, springing chiefly from access to its universities and research institutions and the US defence umbrella. But there is more to their technological prowess than a determination to "catch up" through a capitalisation on Western ideas.

One of the secrets, of course, has been an ability to adapt, or "Japanise," imported technology, as with the evolution of local labour practices, the use of new quality control techniques and the application of "just-in-time" inventory saving among subcontracting networks.

Another, however, has been a simple commitment of resources to domestic research and development (R&D). Japan spends more than 2½ per cent of its gross national product on R&D, about the same as the US and West Germany. Unlike those countries, however, Japan's private sector funds the bulk of its R&D effort – 80 per cent of the estimated Y8,400bn spent in the fiscal year ending March 1987.

Received wisdom has it that the easy access of the Japanese to Western technology and ideas has given them a "free ride" to success

Because this work is done by industry and for industry, most of it is commercially-oriented. "Development" is just as important as "research" for most companies, and the research itself is mostly targeted rather than undirected.

On top of this, the Government, because it has long recognised the importance of science and technology as a driving force of progress, has built a policy on that basis. Not only is there co-ordination among different departments; there is also collaboration with the private sector – and comprehensive tax incentives for R&D.

The key science policy body within government is perhaps the Science and Technology Agency, part of the Prime Minister's Office. It is directly responsible for "big science" projects – nuclear energy research, space, ocean development – but also, so far as this is possible, for co-ordinating Japan's publicly-funded research effort.

Most of the ministries have significant R&D programmes, but the important ones are Education, because the universities fall under it, and the Ministry of International Trade and Industry (Miti), which operates 16 national research institutes and the Agency for Industrial Science and Technology.

This latter agency, more than any other, is the driving force behind overall Japanese R&D collaboration. Since 1966 it has had a National R&D Programme, also known as the Large Scale Project, which has funded R&D on such things as large-scale integrated circuits, electric car batteries, desalination, high-speed computing, robot technology and undersea mining.

Since 1981, another of the agency's projects, known as Basic Technologies for Future Industries, has funded work in new materials, biotechnology, new electronic devices and superconductivity. Separate projects have been going since the 1970s on new energy technologies, energy conservation and medical equipment.

It is tempting to see in such co-ordination and collaboration a principal formula behind Japan's success. In fact the country's complex political system creates powerful bureaucratic rivalries, as in any large government.

What makes things happen is consensus. And the reason the current situation is interesting is that there is now a consensus about the need for Japan to do more basic research.

Internationally, this has shown up in the proposal, made by Mr Yasuhiro Nakasone, the former Prime Minister, for a Human Frontier Science Programme.

To be based in London, Strasbourg or Rome (the three governments are busily squabbling about it), it will fund Y2.4bn in grants, fellowships and workshops on molecular biology in its first year, and more subsequently.

At home, it has appeared in the form of Miti's Key Technology Research Centre (Key-TEC) to fund private sector basic research, and two bodies created by the Science and Technology Agency – the Institute of Physical and Chemical Research (RIKEN), charged with conducting "frontier research," and the programme of Exploratory Research for Advanced Technology (Erato).

Erato is unusual in that it is designed to bridge the gap between research conducted in Japan's universities and applied research in industry. It also welcomes foreign scientists, and is more attractive to them than Japan's universities, where the research system has grown ossified through too much emphasis on seniority, too little on individualism and insufficient argumentative debate.

In parallel with these public sector developments is a systematic move by the private sector to set up research institutions devoted to basic research work. Over the past five years around 200 have been set up, quite distinct from the companies' existing, commercially-oriented research labs.

At the same time, a trend is appearing of Japanese companies doing more research work abroad, in line with the shift of their manufacturing operations directly into foreign markets. This is important to the receiving countries as well as to Japan.

Overall, Japan's R&D effort may appear to be part of a larger, sometimes frightening, juggernaut which fuels "techno-nationalist" sentiments. But it is clearly changing, and Americans and Europeans are deluding themselves if they believe Japan is incapable of doing original research.

The country has begun to foster creative science, and it wants to share its work with the world. It is an opportunity Western countries would be foolish to pass up.

WOMEN

Arousing a political protest

WOMEN HAVE had the vote in Japan since 1946. But rarely have they used it to such devastating effect as in the recent Tokyo city council elections.

That poll was the clearest sign, so far, that women are beginning to assert themselves in Japan. Angry about the corruption in the ruling male-dominated Liberal Democratic Party, women turned out in large numbers to inflict on the LDP its biggest electoral defeat since 1965.

Many of them voted for the Japan Socialist Party, which is headed by a woman and which fought the campaign with a "madonna strategy" – deliberately fielding women candidates. The party's campaign trucks proclaimed "Women's power is changing politics".

The truth of this slogan will be tested again soon in national elections to the Diet's upper house later this month. But analysts are already talking of the awakening of women's political consciousness in Japan.

Such judgements may be tinged by election euphoria. If the history of women's political role in the UK and the US is anything to go by, victories will be separated by long periods of disillusion.

Nevertheless, if Japanese women are ever to enjoy equality with men, even of the imperfect kind known in Western countries, then 1989 could mark a watershed.

Mrs Kuniko Inoguchi, associate professor in political science at Sophia University, says women have played an important role in some previous elections. But, this time, the political protest of women has coincided with a rising professional participation in society.

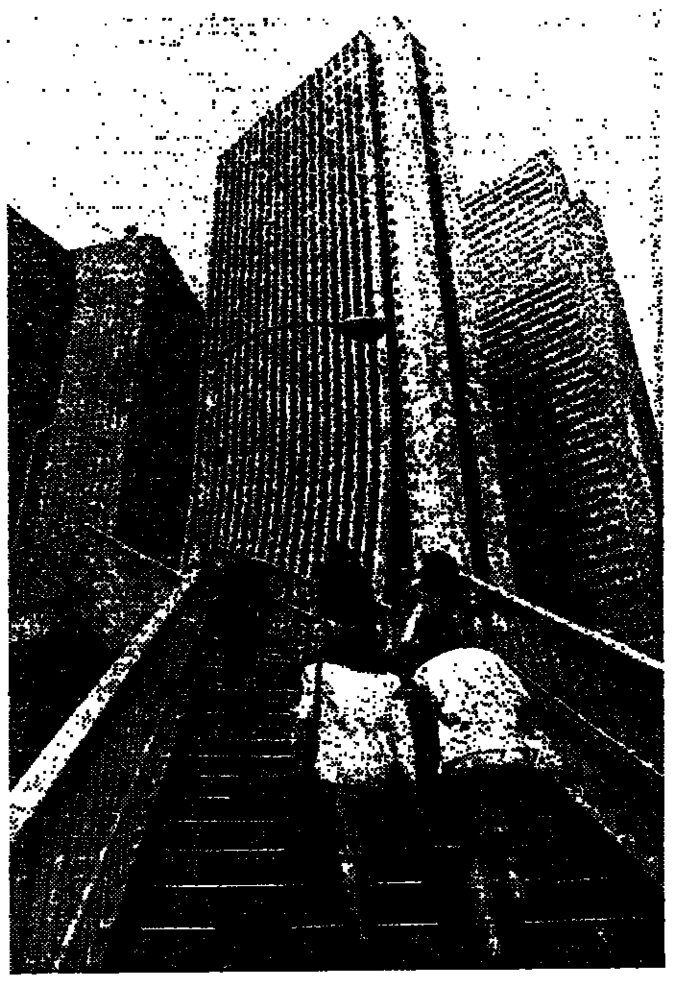
In the past, Japanese women mostly accepted that marriage would bring them power in the home but very little influence outside it. One of the Japanese words for wife, kanai, literally means "in the home".

Determined individuals have long been able to free themselves from the constraints of tradition. One of them is Mrs Takako Doi, the leader of the JSP. Another is Hanae Mori, the fashion designer, who first made her reputation in the male-dominated world of Japanese films in the 1950s.

But, more recently and particularly in the last five years, the lot of ordinary Japanese women has started to change. The passage of an Equal Opportunities Act in 1985 played a key part in promoting change. So did Japan's increasing openness to the outside world – foreign travel has opened the eyes of young Japanese women to the possibilities of having a worthwhile career; foreign companies coming to Japan have given some the chance to start one.

The main impact of the change in the law was to persuade companies to begin recruiting women into managerial jobs. Nomura Securities, the largest securities company, took on five women among its male graduate recruits last year. Next year it plans to hire 50. The Defence Academy, the officer school, is planning to accept its first female recruits in 1990.

The changes are new and they are patchy. They have most affected the lives of young women in Tokyo and Osaka, particularly those in service industries, including finance. The impact on the overall employment statistics is, as yet, slight. Important indicators – women's pay as a percentage of men's, the proportion of women on four-year university courses instead of two-year female-oriented studies, women's length of service at companies – have long been moving at a glacial pace towards greater equality. Women have made great advances in the past 20 years, with, for example, the percentage of women going to tertiary education doubling to 35 per cent (for men it is 40 per cent).



How far can women step forward in politics and industry?

Nevertheless, the impact on individuals is already apparent. Mrs Inoguchi says that female graduates of her class who joined Mitsubishi Bank in 1982 became clerks, the traditional jobs of women office workers between graduation and marriage. Those leaving in 1989 will become management trainees and Mitsubishi Bank is giving the earlier recruits a chance to switch to the management stream by taking a special exam.

However, it will be a long time before changes in the recruitment patterns alter the entirety of women's role in Japan. Japan's ingrained system of promotion by age means that the first women to appear on the boards of Japanese companies are likely to be the graduates of the last few years. Those recruited earlier have, with rare exceptions, missed out on work experience for too long to catch up – even if they want to.

It is, also, by no means certain that today's graduate managers will necessarily want, like men, to work their entire working lives. As in the West, some will still prefer to leave their careers in order to have families. The problems they will face in trying to get back into the mainstream are unlikely to be any easier than those experienced by working women in Western countries.

In other respects, the male-dominated large Japanese companies have proved very resilient in coping with, and often neutralising, social change. The student demonstrators of the early 1970s have, for example, mostly become the company executives of today. Professor Ronald Dore, a Japan expert at Imperial College, London, said in Tokyo recently that companies were tolerating more freedom among their young employees. But, for older employees, there was little difference in employment practice between the 1970s and the 1980s. Lifetime employment remained the norm after the age of 30 or so.

There is every possibility that the system will cope equally well with the demands of women, partly by accommodating and partly by neutralising them.

Stefan Wagstyl

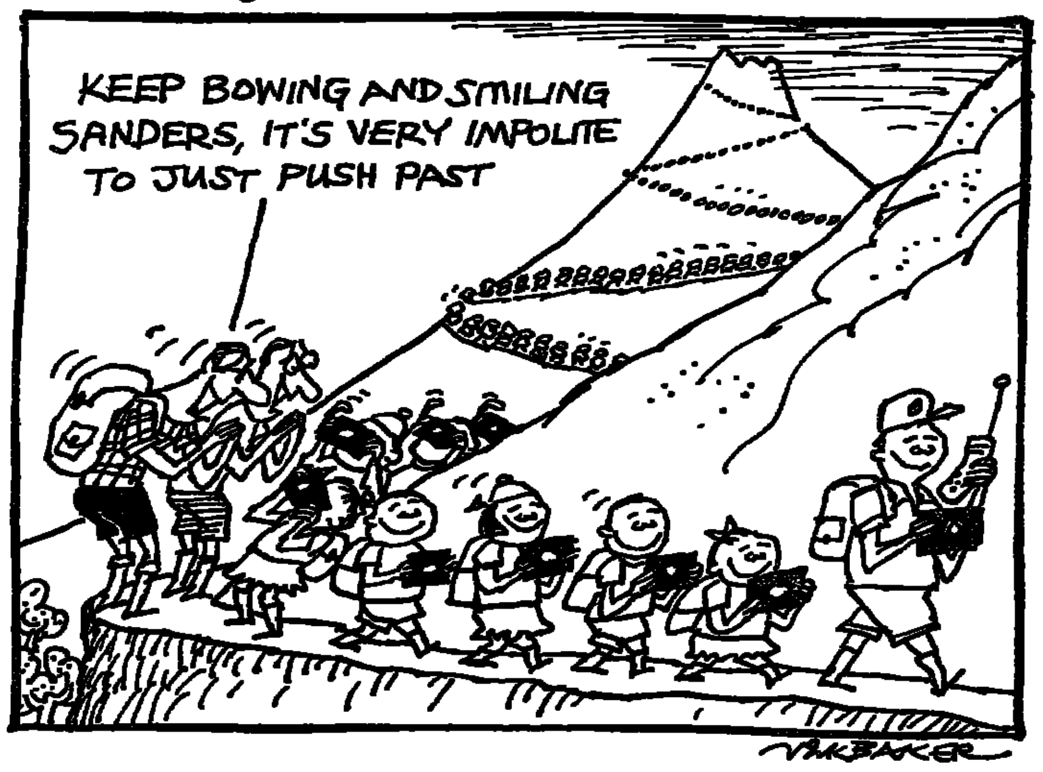
Even English speakers can explore the country. **Ian Rodger** explains how to do so

Climb every mountain — this way

IF YOU are one of those executives who is about to take his sixth or 16th three-week trip to Japan, and you have already had enough of sightseeing in Kyoto, Nara, Nikko and Kamakura on previous visits, and you are wondering how to fill your weekends, here is a suggestion.

Bring your walking boots and explore a bit of the 85 per cent of the Japanese land mass that is mountainous. There are wonderful trails all over the country, some through scenic volcanic areas, some through breathtakingly beautiful Alpine ranges, some within only an hour's train ride of central Tokyo.

All of this has long been known, but it has been inaccessible to most foreign visitors because of the enormous barrier represented by the Japanese language. It is one thing not to be able to understand what people say to you, as is the case in most foreign countries, but in Japan most foreigners cannot read road and trail signs or railway timetables either, so any outing is inclined to be filled with anxiety, frustration and, in the hills, even danger.



Of course, anyone who is really determined can get around, by dint of repeated checking that he is doing the right thing. But after a hard week on the Marunouchi meeting circuit, that is probably not what the average visiting executive would consider a satisfactory way of relaxing.

Now, however, thanks to two recently published English language guidebooks, Day Walks Near Tokyo by Gary Walters and Hiking in Japan by Paul Hunt, the language problem has receded dramatically. Even those whose Japanese is restricted to "Konnichi-wa" and "Arigatoh" should be able to get around comfortably with the help of these books.*

Their prime practical merit is that they provide the names of places, railway lines and the like in both Japanese and English. Many English language guide books on Japan lack this feature, and so the reader who seeks help from a Japanese must do so orally. Suffice to say that the Japanese often have difficulty understanding foreigners' pronunciations of Japanese words. With these books, however, you need only point to the relevant entry on the page, and any Japanese will immediately understand what you are on about.

As for the content of the books, having walked a few of the trails described in them, I can confirm that the information in them is accurate and helpful. I particularly appreciated the references in Walters' book to the Japanese equivalents of the Ordnance Survey 1:50,000 series, maps, which can be bought at most good bookshops in Japan. Even though these maps are in Japanese, they mark paths clearly, provide pronunciation guides for place names and give estimated walking times. One series perversely shows mountain tops in green and valleys in white, but apart from that, most things are easily deciphered.

Both books also have useful general guidance sections on getting around, dealing with the natives, etc. Like most things, hiking is somewhat different in Japan than elsewhere. The mountains themselves tend to be very steep and so paths zigzag a lot. Also, most of the hills are covered in dense forest, even along the ridges and on the peaks, so there are not as many opportunities to enjoy the scenery as in, say, the British hills.

The biggest hazard in Japanese hiking is encountering a party of schoolchildren. These frequently run to 350 or 400 in number, accompanied at front and rear by supervisors with walkie-talkie radios.

If the path is narrow, there is simply no way of overtaking them (if you are going in the same direction) or proceeding until they have passed (if you are going the other way). On one occasion last year, I was stalled for 20 minutes while a group of children went by, many of them giggling when they spotted a foreigner or shouting out "Haro" in their best classroom English. Most children's outings occur in the late spring and early summer.

Otherwise, Japanese hiking trails, although well worn, tend to be less crowded than one might expect, especially if the most popular routes are avoided. Once I alighted from a train in the outskirts of Tokyo along with at least 500 people, but they all went a different way. On the trail I took, I did not see a soul for half an hour.

Japanese hikers are invariably courteous and, at rest points, will often try to strike up a conversation with a foreigner. They tend to dress up for hiking, as they do for most sports, wearing knickerbockers, bright plaid shirts, dashing hats and, oddly, thermos bottles.

Because of the compactness of Japan and the excellent transportation networks, even the most remote hiking areas are available to the weekend hiker.

I would recommend, in particular, the Kirishima group of dormant volcanoes in southern Kyushu, which can be reached from Tokyo by aeroplane and hired car within three hours. As they are volcanoes, vegetation on these mountains is stunted so there are spectacular views in all directions, notably to the south where the live volcano, Sakurajima, can be seen puffing away.

The Kirishima area was used in the filming of the James Bond film, You Only Live Twice, but once on these rugged hills, it becomes apparent that a lass in a white bikini and bare feet would have a lot more trouble on them than the one in the film did. For the weary body and feet in the evening, there are hotspring hotels at the foot of the trails.

Another excellent area for weekend outings is the Japan Alps, with the main mountain centre only a three-hour train or car journey from Tokyo. These snow-peaked mountains rise to just over 3,100 metres, and the walks are wonderfully invigorating. To the north of Tokyo are some delightful mountains near Nikko and still more volcanoes at Urabandai.

As for the biggest volcano of them all, Mr Hunt says it all in his book. "Climbing Fuji-san is rather a dull, bleak undertaking, likened by one writer to walking up a giant ashtray." According to a Japanese saying, everyone must climb Mount Fuji once, but anyone who climbs it twice is a fool.

The climb is indeed a dull slog up a barren, zigzagging face, frequently interrupted by decrepit noodle shops and hostels.

The hostels, it turns out, are the key to success, as we discovered belatedly last year. The purpose of climbing Mount Fuji is to see what the Japanese call *goraiko*, the sun rising out of the Pacific. The climb itself covers a vertical rise of nearly 1,500 metres from the main parking lot and becomes hard going near the 3,776-metre summit as the atmosphere thins and the temperature plunges, even in summer.

Sensible people take it in two bites, climbing about two-thirds of the mountain in the late afternoon and evening. They then sleep most of the night in one of the hostels, getting up early enough to climb to the top to see *goraiko*, weather permitting. We tried to do it all at once and ran out of energy about 250 metres from the top. But the *goraiko* was probably just as beautiful from there, and we were spared the sound of a thousand odd cameras clicking at the top. In any event, I am not inclined to try it again.

**Gary D'A Walters, Day Walks Near Tokyo, Kodansha International, Tokyo, Y1,800. Paul Hunt, Hiking in Japan, An Adventurer's Guide to the Mountain Trails, Kodansha International, Tokyo, Y1,900.*

PROFILE: EMPEROR AKIHITO

'God' stops at traffic lights

A MOST important test of the status of Japan's Emperor Akihito will be the matter of who pays for a traditional ceremony in which his spiritual status is confirmed through a sexual union with the Sun Gods late next year.

The *daijosai* ceremony will be a challenge to the post-war constitutional separation of church and state and to the renunciation of divinity by his father, Emperor Hirohito, as well as to political parties divided over whether the state should fund an essentially religious ceremony.


The Emperor: facing *daijosai*

The new Emperor has both frustrated and pleased nationalists, who emphasise his spiritual importance as head of the Japanese people and the Shinto religion. He has done things by the book since the death in January of his father, yet, as a confirmed pacifist, he is also reported privately to have shown sorrow on anniversaries of Japan's wartime aggression.

Mr Hideaki Kase, an author and outspoken nationalist, is "disturbed" by the reports of the Emperor's attitude to the war. The Emperor "should not worry about the war," and any public comments on policy or history would be "very, very dangerous." Mr Kase argues that the Emperor "should be obscure like a Shinto god, and should be a non-person, a demigod not bothered by temporal affairs."

Mr Kase and most other analysts are looking for signs that the Emperor intends to make his role more in the mould of the British monarchy. He has cut back on the ostentation of office, using a smaller car for non-official journeys and stopping at traffic lights.

Indeed, the Emperor has a love of things British. His two sons studied at Oxford, and his chief childhood tutor, Koizumi Shinzo, a former president of Keio University, was an Anglophile. Then there was his childhood English tutor, Elizabeth Gray Vining, an American Quaker. But Mr Kase thinks her influence has been exaggerated and blames Mr Shinzo for turning the young prince's head towards the West.

It is still difficult for the Emperor's role to be debated in public, particularly by those who argue for a tougher evaluation of Hirohito's wartime role and for a more mundane status for the present Emperor. Several academics at Meiji Gakuin University received death threats after arguing that the Emperor's status should not be spiritual, while the Mayor of Nagasaki is still harassed by right-wingers for comments made last December about Hirohito's part-responsibility for the war.

Professor Yoshikazu Sakamoto, of Meiji Gakuin's faculty of International Studies, says the tone of threats from hard-line right-wing activists has changed. "In the past, they would threaten only me. Now they threaten my family. They ring me and say that if I care about my family, then I should stop making comments about the Emperor."

Prof Sakamoto says the Emperor's apparent inclination to informalise the office will be resisted by the right-wing of the ruling Liberal Democratic Party and militarist organisations which want to use the Emperor as a figurehead for neo-nationalism.

Then there is what the professor describes as the "conformist mentality of the Japanese," which he believes would stop many ordinary Japanese from taking a stand if a neo-nationalist campaign to re-deify the Emperor gathered much momentum. "People might not be very happy about such a campaign, but they would not do anything about it. This conformism is very deep-seated, with many sub-conscious elements. Rational persuasion is not enough to convince people to take action."

Prof Sakamoto was annoyed by what he considered sycophantic press coverage of Emperor Hirohito's illness and the pressure put on all Japanese to be solemn even before his death. "The image created and disseminated by the mass media was that the entire population had started to grieve. There was a dreadful uniformity to this apparent piety — people who had not given a thought to the Emperor in their daily life all of a sudden began to behave like the loyal subjects of pre-war Japan."

Emperor Akihito is said to have been perturbed himself by this phenomenon, and has done nothing since his accession to encourage such behaviour. To bring his image further down to earth, the Emperor could eventually make statements on an issue such as the environment, but more political issues such as poverty will remain untouched, analysts believe. It is said that while he was still Crown Prince, Akihito made an unflattering remark about the attitude to the war of Mr Yasuhiro Nakasone, the former Prime Minister, but he has certainly never made such a comment for public consumption.

Akihito, 56, as a member of a closeted imperial family, had an unusually public youth, and broke with tradition by marrying Michiko Shoda, the daughter of a flour-milling magnate. Their tennis court courtship was much publicised, and their wedding was televised. For those who see the Emperor as a god, the thought of the couple as a model middle-class family complete with box-lunches and kitchen-worn cuticles was anathema.

But Emperor Akihito has shown no sign that he will not abide by tradition in the ceremonies remaining before his investiture is complete. The most important and potentially controversial is the *daijosai*, in the autumn of 1990, in which he undergoes a ritual transformation into a woman and is impregnated by the gods.

Opposition parties have already indicated that they are against state funding of the ceremony, while the Government has floated the idea of asking the public to donate money for it. The publicity for the rites will certainly influence popular perceptions of the Emperor, and excessive official fawning would set back any plans Akihito has to de-mystify his position.

Robert Thomson

FINANCIAL TIMES

COMPANIES & MARKETS

Monday July 10 1989

INSIDE

Gateway: end-game fast approaches

Mr Alec Monk (left), chairman of Gateway, the UK supermarkets chain, faces a tense week as the bid battle raging over his company approaches a climax. The end-game will be an important test not only of the companies involved but also of their vast number of financial advisers. City reputations are on the line, writes Nikki Tait. **Page 18**

Bond that divides the market

The dual currency bond is dividing opinion in the Euromarkets. For what seems to one practitioner to be astute financial engineering and canny market arbitrage appears to others – competitors, of course – to smack of wool being pulled over innocent investors' eyes. Katharine Campbell reports on the debate being waged over this comparatively new instrument. **Page 14**

Why the computer customer isn't king

The customer is king. That, at least, is the idea propounded by the computer industry, which often cites this as one of the most significant trends in the industry in the last few years. Not so, argues Alan Cane in the Business Column. In standards, as in many other areas of data processing, computer suppliers too often treat customers' interests with persistent cynicism. **Page 28**

American Medical accepts offer

Bidding for control of American Medical International, the troubled Beverly Hills hospital management group, ended at the weekend when the company announced it had accepted a $2.14bn leveraged buy-out proposal from an investor group that included the Pritzker family of Chicago and First Boston. The proposal overcame several other offers, including one from Clayton & Dubilier, the New York leveraged buy-out specialist. **Page 17**

Market Statistics

Cross-Channel partnership born of need to grow

Clay Harris and George Graham on the move by MAI and Havas

MAI and Havas, owners respectively of the leading outdoor poster contractors in the UK and France, have seen the future of the European billboard, and it is Avenir.

The two groups are injecting their media interests into Avenir, a listed French company of which Havas already owns 59 per cent and MAI controls 21 per cent. Avenir will be the clear leader in the $1.8bn European outdoor poster market, which *accounts for 6 per cent of all advertising spending.*

However, it is a strategic alliance which has less to do with 1992 than with the immediate needs of the two companies.

Along with satellite television, the outdoor poster should be a vanguard medium for addressing diverse markets with a single message. Mr David Taylor of Britain's Outdoor Advertising Association notes: "Posters are very well *positioned for cross-frontier advertising because of the simplicity of communication.*"

Yet the Europe-wide poster campaign is only now appearing on the horizon and UK contractors are not being asked to metricate their arcane poster sizes measured in "sheets" of just over 4 sq ft.

For MAI and Havas, there are more pressing concerns.

Both have reached the limits of growth at home. With 25 per cent of the UK market, MAI's Mills & Allen subsidiary knows this all too well. When it took over London & Continental in 1987, it agreed in advance with the Office of Fair Trading to make certain disposals; afterwards, however, competitors' complaints prompted a Monopolies Commission probe which required 2,000 more hoardings to be sold.

Similarly, for Avenir chairman Mr Philippe Santini, recently named as chief executive of the entire Havas group, there has been little choice but to expand outside France, where Avenir has 35 per cent of the poster market.

Mills & Allen and Avenir took their first steps towards co-operation last year. They bought 21 per cent stakes in each other and set up a joint venture, Europoster, to purchase holdings in leading contractors in Spain and Portugal, two of the markets with the most potential for growth.

MAI chipped in its Belgian subsidiary, Benaerts, and Europoster last week announced the purchase of a 75 per cent stake in GIG, Italy's leading contractor.

"That was the engagement," says Mr Hollick. "This is the marriage."

Mills & Allen and Avenir are bringing different gifts to the altar. The UK side expects to contribute its expertise in added-value sites – it pioneered the prismatic billboard which flips to show three different posters in succession – as well as the British industry's leadership in market research. The French, on the other hand, have led the way in marketing shorter campaigns than the UK's *one-month norm.*

Posters will account for 70 per cent of Avenir's expected pre-tax profits of £40m ($64m), but the balance provides a credible base for the group's aim to become the leading European group in specialist advertising media.

From the Havas stable comes Europe's largest publisher of free newspapers – the first UK acquisitions in this sector will follow Avenir's London listing – and *France's leading regional newspaper advertising sales agency.*

In addition to Mills & Allen, MAI puts in Pearl & Dean, which operates in contract publishing and poster printing, as well as cinema advertising; Skysites, which has four years to run on its exclusive poster contract for BAA's airports; and David Allen, with 50 per cent of the Irish billboard market.

Poster advertising
(1987)

	Outdoor & transport spending ($m)	% of total advertising spending
France	716.9	12.1
UK	349.0	3.7
W. Germany	300.4	3.4
Netherlands	245.0	10.4
Italy	221.0	5.3
Switzerland	198.4	10.8
Spain	157.0	5.0
Belgium	136.2	15.2
Scandinavia	114.6	2.9
Other	95.0	6.7

Source: ANZ McCaughan

The partners have remarkably different pedigrees.

Havas, founded in 1835 as a translation bureau, developed into news agency reporting and advertising before coming under state control in 1941 as the Office Français d'Information. After the Liberation, it lost its news agency activities but moved into telephone directory advertising and travel and then specialised publishing and television.

It was privatised in 1987, but – thanks to the shareholder structure "rebalancing" encouraged by the Socialists after their return to office in 1988 – Canal Plus, the pay television station, and a number of state-owned investors have come in to offset the shareholders selected by the right. Today Havas has six main interests: advertising; posters; audiovisual, especially a 25 per cent stake in Canal Plus; publishing; consultancy; and tourism.

MAI is more diverse. It owns London-based money broker Butler Harlow Ueda and beefed up its financial services side in March with the acquisition of the securities division of troubled rival International City Holdings. It has moved boldly into retail financial services and market research ambitions have led it into an unrequited wooing of Addison Consultancy, where its rival in courtship, ironically, is a French company, Motivaction.

To suggestions that this grouping lacks coherence, Mr Hollick replies: "We have three distinct and separate businesses, all of which have good market positions and all of which are clearly focused."

The stock market, however, values any such amalgam by its weakest component, in this case, money and securities broking. By putting the media interests into Avenir, which is trading at a prospective p/e of 18, Mr Hollick hopes to highlight the sum of MAI's parts and boost his group's multiple from its lowly eight.

The deal, which values MAI's media interests at £160m, will strengthen its balance sheet and allow it to increase its borrowing by about £150m. This is earmarked for expanding other parts of the group, and Mr Neil Baker of London stockbroker Laing & Cruickshank is encouraged by MAI's record of spending money. Like other analysts, however, he does not expect any dramatic re-rating of MAI's shares.

President Bush's hopes stifled in a heatwave

By Anthony Harris in Washington

The subject for this week is a large one: does government really matter? President George Bush's flying circus has left town again, and most sensible Washingtonians wish they were with it.

The atmosphere in this city has become stifling. It is not just the damp heat, which brings the phrase "greenhouse effect" vividly to life; this has blessedly turned to dry heat for a day or two, but the political air we all *breathe is also damp and hot.*

Politics continue, but policy remains stalled. There is a satisfying poetic justice in all this. In the first honeymoon of this Administration, it appeared that the Democrats had forgotten their vow to take revenge for a dirty election campaign; but the Republicans decided that the tactics which had won the White House might win the Congress.

The Democratic financial scandals have now claimed their victims, and as a result the party has better leadership; but scandal continues. The current revelations concern corruption in the public housing, and an almost comic affair involving homosexuality and credit cards.

In both matters, the Republicans have most to lose. They seem suddenly to have lost their appetite for making charges about ethics; the Republican whip, Mr Newt Gingrich, who was previously as persistent as a horsefly, has stopped buzzing. All the same, it will take a long period of quiet to restore much hope of bipartisanship, and until this is done, a Republican Administration cannot hope to achieve very much through a Democratic Congress.

In one sense, this does not matter: up to this point Mr Bush has proved so cautious that he has few clear policies which could be frustrated by the legislators. His energies have been concentrated on cleaning up the appalling mess left behind by President Reagan – the savings and loan crisis, a defence "programme" which reads like a letter to Santa Claus from a militaristic infant, the emerging housing scandal, the LDC debt crisis and, of course, the deficit.

The President clearly means to address these problems with candour and energy, and for this at least he deserves his continued high popular approval ratings; but he is hampered by lack of manpower. His last act before leaving for Warsaw was to propose large pay increases for the key officials he is finding it so hard to recruit. He also has problems at the top.

It is the fate of most Treasury Secretaries to be forgotten very soon after they leave office. But Mr Nicholas Brady has managed something quite unusual – he has been forgotten while in office, and in the midst of crises which are his affair. He has been so silent in recent weeks that when his predecessor Mr James Baker, now Secretary of State, made a speech a few days ago urging aid for Indonesia, this was reported on public radio as coming from "Treasury Secretary James Baker". He handed the job to Mr Brady 11 months ago.

No doubt, the current negotiations over Mexican debt relief will produce an agreement which can be brandished as a triumph for the Brady debt plan, but almost nobody in Washington now believes that there will be any important follow-through. It will simply be found that there are virtually no other debtors who qualify for relief. Meanwhile, it is now widely feared here, world leadership will fall to others by default.

Mr Gorbachev firmly holds the peace initiative. Mr Bush will be cheered in Warsaw and Budapest, but it is the Germans who will provide the economic support for liberalisation, and the influence which goes with it. The Japanese were until recently cast as the likely saviours of Latin America; but since Japan has no government capable of initiative, it is now the French who are suspected of planning this breach of the Monroe Doctrine.

Mr Bush lacks the funds, and, for the moment, the political clout, to do much about these supposed challenges to his prestige. This is potentially a personal crisis; his popular support, in a country in which consumer confidence has already fallen steeply, is now very dependent on perceptions of his leadership. Well-drafted sermons will make little impression if somebody else is actually doing something effective.

This begs our opening question, though: does the lack of effective leadership in both the world's dominant economic powers matter much to anyone except the leaders? Conventional wisdom says that it must.

Consider, for example, the paper just published by Mr Masaru Yoshitomi, head of the official Japanese economic research institute, arguing that most world problems of debt and imbalance can be cured only by cutting the US fiscal deficit.

This is an awesome responsibility for Mr Brady. The only trouble is that almost my first duty in the US, on a reconnaissance nearly two years ago, at a time when the US trade deficit had not turned, was to share a platform with Mr Yoshitomi, when he said exactly the same thing. Since then the trade deficit has gone down while the fiscal deficit has gone up.

Mr Yoshitomi, who is a witty and intelligent man, must have noticed this private-sector adjustment, but as an official economist, he cannot say so yet; official Japanese statements reflect a consensus which changes only glacially.

While that consensus insists on official action, the revival of personal and corporate saving in the US has proved much more powerful than continued federal improvidence. It is too simple, though, to award the point to market forces and leave it at that. What caused the revival in saving? Apart from demography – notably the fall in the college-age population, which is such a burden on family incomes – the credit goes partly to government.

A new econometric study from Morgan Stanley suggests that the creeping tax reform introduced in 1986 has had a cumulative effect on the incentive for consumers to borrow. This has certainly been reinforced by Federal Reserve restraint. A more objective conclusion would be that the fiscal balance is indeed much less important than we used to suppose in Keynesian times but that fiscal incentive and monetary policy, both government concerns, are vital.

This, indeed, is now the consensus – apart from, it seems, Japan, where tax reform seems unachievable. Indeed, excessive trust in the markets is dangerous, especially complacency about credit-fed asset booms. In the US, as in Britain, the housing market provides the most reliable fever chart. Speculation drove prices far ahead of incomes; the correction has now created a buyers' market which drives house-owners near to panic. When consumers worry about their collateral, and central banks about the loan exposure they supervise, economic miracles turn to stagflation.

Economics Notebook

Wrestling with a new jargon

WITH world leaders competing to establish their green credentials, this week's group of seven economic summit in Paris is scheduled to be the first in which the environment plays an important role in the discussions.

If an early draft of next Sunday's final communiqué circulating over the weekend is any guide, the concluding announcement will give only an imperfect idea of how the G7's environmental concerns will affect economic policy making.

But no matter how unclear the final summit document, this year's meeting of leaders from the US, Japan, West Germany, France, Italy, Britain and Canada could well give a boost to what has become known as the "economic approach" to environmental problems. This involves the use of economic instruments, such as charges, to supplement traditional regulatory controls over pollution.

As is apparent from an article in the latest OECD Observer*, one by-product of the "economic approach" is a whole new world of jargon.

Policy makers and ordinary citizens will have to get used to talking about effluent charges, user charges, product charges and administrative charges which oblige polluters to pay for their use or abuse of the environment. "Tax differentiation" and "emissions trading" are other buzz words in this *fast-growing* area of economic policy.

- Effluent charges are those levied on direct releases into the environment and often used to finance pollution control systems. They are frequently used in controlling water pollution and in waste management and, if pitched high enough, can dissuade polluters.
- User charges are payments to cover effluent discharge and treatment services. A typical user charge might be a local authority fee for waste collection and treatment. User charges rarely act as an incentive to pollute less.
- Product charges, as their name implies, are added to the prices of products that create pollution with the aim of modifying their attractiveness to consumers or financing collection and treatment systems. Various countries impose product charges on lubricants, mercury and cadmium batteries and base chemicals.
- Administrative charges are mainly aimed at funding systems of licensing and licence monitoring. One example of an administrative charge is the levy imposed by Norway when registering new chemical products.

Tax differentiation was used by Mr Nigel Lawson, the Chancellor, in his last Budget to boost British sales of lead-free petrol rather than the leaded variety.

Emissions trading enforces a statutory ceiling on pollution by forcing companies to buy rights to pollute in a given area from other companies.

Several claims are made for such economic instruments. They can be more cost-effective than regulations. They sometimes offer a permanent incentive to reduce pollution and encourage technical development of non-polluting products. They are more flexible because it is easier for a regulatory authority to modify a charge than to change regulations. Polluters retain a freedom of choice over their actions. In addition, economic instruments provide finance which can be used for pollution control measures.

Target plea

The champagne corks were not exactly popping. But there was no denying the satisfaction felt by the US administration last week at the decline of the dollar below the DM1.90 level, which was generally held to be its upper limit against the D-Mark under the G7's Louvre Accord limiting currency fluctuations.

What remains unclear is how much central bank intervention was needed to bring the US currency under control. All the signs point to very heavy dollar sales by the US Federal Reserve and the Bank of Japan.

In a discussion paper for the Brookings Institution in Washington, Mr Gerald Holtham, Shearson Lehman Hutton's London-based chief international economist, has suggested that central banks would have to intervene less if the target zones that they seek to defend were clearer.

Mr Holtham's idea is that organisations such as the International Monetary Fund, the Bank for International Settlements and the OECD should research and publish so-called equilibrium exchange rates. These rates, at which countries remain *solvent over time,* would take account of governments' policies. They would become the basis for target zones which would be defended with massive intervention if necessary.

Involving the international organisations would prevent governments pretending to defend target zones that are incompatible with their other policies. The market would also be encouraged to research and act on economic fundamentals instead of second guessing what its members are up to.

**Peter Norman*

**OECD Observer June/July 1989, OECD Publications, 2 rue André-Pascal, 75775 Paris Cedex 16. Or through HM Stationery Office, £2.50.*

Peter Norman

THIS WEEK

PRIORITIES for the world economy take centre stage this week as heads of state and government from 30 countries – including the group of seven industrial nations – meet in Paris.

The world economic summit from Friday follows the French Revolution bicentennial celebrations. Although issues include Third World debt and *the environment,* developments this week are likely to be less epoch making than those 200 years ago.

Because G7 central bankers will not be attending, it is unlikely that there will be initiatives on the dollar going beyond previous statements about how a rise which undermined international economic adjustment would be counter-productive.

European economic and finance ministers, including Mr Nigel Lawson, UK chancellor, meet in Brussels today for an examination of issues raised at the Madrid summit.

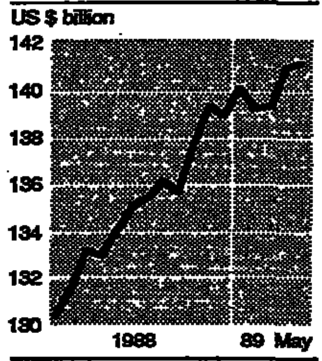
UK economic statistics will be dominated by Friday's retail price index. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a monthly rise of 0.4 per *cent, taking the annual rate to* 8.4 per cent, from 8.3 per cent in May.

An early warning of future inflation trends comes in today's producer prices figures for June. The consensus is for a rise of 0.4 per cent in manufacturers' factory-gate prices and 0.6 per cent in the cost of fuel and raw materials.

Employment statistics on Thursday may show further tightening in the labour market, with earnings rising rapidly and unemployment falling sharply. Analysts expect underlying earnings to have been rising at an annual rate of 9.5 per cent in May and June unemployment to have fallen a seasonally adjusted 30,000.

US statistics focus on June's producer prices index on Friday, which could affect dollar sentiment if inflation trends are better or worse than expected. The consensus is for a rise of 0.3 per cent in output prices.

US retail sales



Retail sales figures for June, also on Friday, will reveal the strength of the consumer sector and are expected to show a rise of 0.2 per cent.

In West Germany, the Bundesbank council meets on Thursday. In recent months the bank has taken financial markets by surprise by raising its interest rates when least expected. That said, analysts expected no rise this week.

Other events and statistics this week (with MMS International consensus in brackets) include:

Today: Central bankers begin their regular two-day monthly meeting in Basle. US consumer instalment credit for May.

Tomorrow: UK, Halifax Building Society house price index.

Wednesday: US, seven-year Treasury note auction. UK, Cabinet meets to discuss public expenditure round. Mr Nigel Lawson addresses Conservative Industrial Fund.

Thursday: US, monthly monetary aggregates for June. Ten-day car sales.

Friday: US, June's capacity utilisation (83.6 per cent) and industrial production (unchanged). UK, manufacturing and industrial output in May (rise of 0.2 per cent and no change respectively).

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Woodside to fore in rash of refinancings

NATURAL GAS projects on different continents, and a spate of refinancings provided the focus for the international loans market last week.

Woodside Petroleum is refinancing a $1.65bn facility it signed in November 1985 to finance the Australian company's development of the country's North-West Shelf natural gas project.

The new financing of $1.75bn is being arranged by Chase Investment Bank, which also arranged the 1985 facility, and has been underwritten by Chase, Barclays Bank, Industrial Bank of Japan and National Australia Bank.

Terms on the financing for the project, now partly on-stream, were not being disclosed on Friday, but the previous facility carried interest margins of 1 to 1½ percentage points.

Details of a $500m, eight-year term loan for Agip Nigeria were also scant, but Citicorp Investment Bank were said to be preparing syndication. The loan is to finance Agip's purchase of a 5 per cent interest in Nigeria's southern oil and gas fields.

Agip is the operating subsidiary of ENI, the Italian state chemicals enterprise. The loan is guaranteed by Agip International, the company's international holding company.

The largest new corporate deal of the week was a £950m loan to finance the £800m bid by Boots, the chemists, for Ward White, the retailer. As reported, the loan – arranged by Chase and also underwritten by Westdeutsche Landesbank and Kleinwort Benson – carries a 15 basis point margin and a 6¼ basis point commitment fee, with a £475,000 arrangement fee payable to Chase.

The maturity is short: the lesser of 18 months from the bid going unconditional or 22 months from signing.

In southern Europe, several refinancing deals emerged. Bankers are awaiting a decision on the refinancing of a loan for the Bank of Greece, signed in May 1987, with six arrangers: Citicorp, National Westminster, Arab Banking Corporation, Mitsubishi Bank, Chase and IBJ. When signed it obtained a margin of ⅝ point over eight years.

There are some expectations that Greece could end up with a margin of ¼ point throughout. The final maturity will remain 1995.

Fenosa, the Spanish electrical utility, is renegotiating about $100m in loans in two facilities signed in 1987. These loans, one of which was in sterling, carried margins of ⅝ point and ⅝ point. The new margin will be 7/16 point, with a final maturity of six years and a four-year grace period. Chase is arranger.

Following the signing of a SFr45m loan for Eurovias, the Spanish highways concern, its sister company, Europistas is looking for Swiss franc funds through the Bank of Tokyo. Chase is arranging a 10-year $21.6m secured financing for Aereas Lineas Canarias to buy an MD-83, at a margin of 1¼ point.

The Moscow-based International Bank for Economic Co-operation has mandated Deutsche Bank Luxembourg to arrange a $75m loan. With a seven-year bullet maturity, it carries an interest margin of 25 basis points for the first 3½ years and 37½ basis points for the remainder. There is a 12½ basis point commitment fee and participation fees are between 30 and 40 basis points.

The relaxation of Swedish exchange controls has allowed Swedish Export Credit to launch the first Swedish crown commercial paper programme. Daiwa Europe is the arranger and sole dealer and up to SKr500m can be issued with maturities of up to one year.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	903.0	3.9	287.0	9,555.9
Prev	3,097.0	71.0	803.0	10,455.9
Other	1,554.6	121.4	873.9	1,983.5
Prev	1,073.1	0.3	1,186.1	2,098.9
Secondary Market				
US$	18,178.0	945.4	5,204.5	7,646.1
Prev	33,238.2	972.7	4,626.3	6,753.7
Other	16,837.0	1,455.5	7,068.8	24,695.0
Prev	15,723.0	1,074.8	4,910.5	29,174.7

	Cedel	Euroclear	Total
US$	12,244.8	30,479.0	42,723.8
Prev	11,172.0	48,845.8	60,017.8
Other	21,668.4	32,921.3	54,589.7
Prev	20,805.7	34,435.7	55,241.4

Week to July 6, 1989 Source: AIBD

INTERNATIONAL BONDS

The pros and cons of dual currency instruments

WHEN financial service practitioners start talking morals they are treading on dangerous ground. But the controversy that has arisen over a newish instrument in the Euromarkets essentially attempts to walk that plank.

For what seems to one party to be astute financial engineering and canny market arbitrage appears to others – competitors, of course – to smack of wool being pulled over innocent investors' eyes.

The instrument in question is the dual currency bond, a new version of which was introduced by Bankers Trust back in February. Since then there have been some 25 or more deals, led by several firms.

Aside from the dispute between Merrill Lynch and the Spanish Treasury over last week's D-Mark bond that can be redeemed in pesetas (the Spanish authorities do not want any additional parties speculating on their currency and upsetting its honeymoon in the European Monetary System), dual currency bonds have been controversial from the start for another reason.

Some houses, J.P. Morgan among them, sniffily say they will take no part in such deals. Investors are being improperly rewarded, they contend, for the currency risk they may be blissfully unaware that they are assuming. Come next year, when the first of these bonds matures, there will be some pretty disgruntled customers, they think, and they do not want to have the explaining to do.

So who is right? The cynic would probably say that it depends on the degree of importance companies attach to long-term client relationships.

The trick of the recent type of dual currency bond, which allows the borrower to issue in one currency with the option to repay at maturity in a second if it is cheaper, is to offer investors a higher coupon bond in return for the currency exposure they are assuming. The trouble is, investors tend to leap at the coupon and, critics would argue, the rest is improperly explained by the marketing people.

One popular structure has been a bond denominated in Australian dollars with an option for the borrower to redeem in US dollars. As Mr Ron Baker, vice president at Bankers Trust, explains: "Investors have been buying Australian dollar bonds for years, taking outright currency risk in exchange for yield. We have given them the same sort of exposure to currency risk, but paid them for it. We have made more explicit to them what they are doing."

Explicit? Some would argue that the risks of this structure have been inadequately explained to the purchasers, who, as well as traditional retail buyers, number among their ranks smaller banks in Europe and the Middle East.

Take the example of a one-year Australian dollar bond with a borrower's option to repay in US dollars. Assume a current exchange rate of A$1 to US$0.80 and an exercise price of 82 cents. If after one year the Australian dollar has appreciated, the borrower can repay in US dollars; conversely, if it has fallen the borrower repays in cheaper Australian dollars.

The first point in this hypothetical example is that the investors have effectively written an in-the-money option. At an exercise price of 82 cents it is already favourable for the issuer to repay in US dollars. Thus investors give up part of their 21 per cent coupon before they start. The option is 2.5 per cent in the money, so the maximum they can make, in the unlikely event of the exchange rate not changing, is 18.5 per cent.

Now suppose the Australian dollar appreciates to US$0.90. The borrower will opt to repay in US dollars, leaving the hapless investors with a 12.5 per cent loss of principal through the currency move, hence reducing their return, in simple yield terms, to a rather less attractive 8.5 per cent.

But of course they were expecting the currency to weaken anyway.

The snag is that, even if their predictions are right, they fail to capture the benefit of the fall.

Suppose the Australian dollar stands at US$0.69 a year from now. The borrower, of course, repays in Australian dollars, so the investors receive their principal back. But they have missed out on a 13.75 per cent appreciation in the US currency.

Ah, say the investors, the reason they purchased their dual currency bond in the first place was to benefit from the higher coupon. Here the options guru steps in and explains the sobering truth. For the risk taken, and the profits foregone, they have been paid the difference between 21 per cent and the market rate for a one-year bond – say 18 per cent. They have effectively been paid 3 per cent for an option that might be worth a point or so more in the professional interbank market. Some investors indeed find out what the option is really worth if they try to unwind the position before the bond matures.

But are the vendors of this product really doing anything more than providing, for a fee, a service to the smaller investor who does not have access to the professional option markets?

Mr Baker reckons his competitors' reactions are simply a form of sour grapes. "We have a technology that a lot of people do not yet have, so there is a lot of criticism."

He likens the situation to the currency swap market five years ago. "That market facilitated huge expansion of the Australian dollar and other bond markets. But now it is more mature, and when markets become well arbitraged they are not as interesting for us."

Hence the invention of the dual currency bond, which performs a similar function. "It is business as usual for us. We are being rewarded for attaching a derivative product, and are taking some money for that. We are adding value through our understanding of how to manage risk."

Katharine Campbell

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Gakken Co.‡♦	100	1993	4	4⅛	100	Yamaichi Int. (Eur)	4.125
Shimizu Corp.‡♦	700	1993	4	4	100	Yamaichi Int. (Eur)	4.000
Mitsubishi P'chemical‡♦	220	1994	5	4⅝	100	Nikko Secs. (Europe)	4.625
Mitsubishi P'chemical‡♦	100	1994	5	4⅝	100	Yamaichi Int. (HK)	4.625
Marubeni Corp.‡♦	700	1994	5	4⅝	100	Yamaichi Int. (Eur)	4.625
Marubeni Corp.‡♦	500	1993	4	4	100	Daiwa Europe	4.000
Marubeni Corp.‡♦	300	1993	4	4	100	Nikko Secs. (Europe)	4.000
Hino Motors‡♦	200	1994	5	4¾	100	Nikko Secs. (Europe)	4.750
Kanematsu-Gosho‡	130	1993	4	(4½)	100	Nomura Int.	★
Toa Steel Co.‡	100	1993	4	(4½)	100	Nomura Int.	★
Unitika Ltd.‡	300	1993	4	(4½)	100	Nomura Int.	★
IBJ Int.♦	57	1991	2	Zero	86.0	IBJ Asia	7.833
Realty Frends-1(v)‡♦	149	1993	2½/3	75bp	100	Continental Cap.Mkts	-
D-MARKS							
Finnish Export Cr.(a)♦	35	1991	2	15	100	Merrill Lynch Bank	15.000
Deutsche Finance(j)♦	500	1994	5	7	101.80	Deutsche Bank	6.568
World Bank♦	600	1999	10	6¾	100¾	Deutsche Bank	6.645
Midland Int.Fin.(n)‡♦	200	1999	10	⅛	99.95	Trinkaus & Burkhardt	★
IKB Int.(Luxembourg)★★♦	50	1991	2	7	101	Industriekreditbank	6.451
SWISS FRANCS							
Ohbayashi Rd Con.(b)★★§♦	70	1994	-	⅝	100	Nomura Bank (Switz)	0.625
Mikasa Coca-Cola(i)★★§♦	40	1993	-	½	100	Credit Suisse	0.500
Sumitomo Electric(m)★★§♦	300	1993	-	Zero	100	Credit Suisse	-
Daiwa Industries(s)★★§♦	30	1994	-	⅜	100	Bank Leu	0.375
Nip.Koshuha Steel(r)★★§♦	140	1994	-	⅝	100	Yamaichi Bank(Switz)	0.625
Toa Steel Co.(e)★★§	120	1994	-	(⅜)	100	Nikko/Bank J.Baer	★
Remy Finance(f)★★★♦	110	1996	-	4½	100	SBC	4.500
Honshu Paper Co.(g)★★§♦	100	1993	-	Zero	100	Credit Suisse	-
Shinshu Jusco(h)★★§	35	1994	-	½	100	SBC	0.500
Isolite Insulating(l)★★§	30	1993	-	(½)	100	SBC	★
Dai-Ichi K.Seiyaku(p)★★§	65	1994	-	(⅜)	100	Handelsbank NatWest	★
Daido Steel Sheet(q)★★§	55	1993	-	(½)	100	UBS	★
Nippon Valqua(t)★★§	150	1994	-	Zero	100	Banca del Gottardo	★
Toyo Eng.Works(w)★★§	30	1993	-	¼	100	Nomura Bank (Switz)	0.250
STERLING							
HMC M'gage Notes 4(d)‡♦	150	2021	8.9	18bp	100	CSFB	-
Barclays Bank(o)♦	50	1992	3	12	(o)	BZW	-
Alliance & Leic.(u)‡♦	50	2004	15	35½	100	Chase Inv. Bank	-
NEW ZEALAND DOLLARS							
Soc.Generale Australia♦	60	1993	4	13¾	102	Hambros Bank	13.077
FRENCH FRANCS							
Dresdner Int. Fin.♦	500	1994	5	9	101½	BNP Capital Markets	8.618
LIRE							
GMAC Canada♦	100bn	1994	5	13	101.90	Banco di Roma	12.467
PESETAS							
African Dev. Bank♦	10bn	1998	7	12½	101	J.P. Morgan Espana	12.279
SWEDISH KRONOR							
Swedish Export Credit♦	500	1994	5	11	101	Svenska Int.	10.731
ECUs							
EIB♦	200	1999	10	8½	98.55	Societe Generale	8.569
GUILDERS							
Mitsubishi P'chemical‡♦	200	1994	5	2¾	100	Amro Bank	2.750
LUXEMBOURG FRANCS							
Sydbank(Denmark)★★♦	300	1995	6	8½	100½	Banque UCL	8.391
Cerinvest NV★★♦	300	1992	3	8	101	Kredietbank Int.	7.615
YEN							
IFV Power Co.‡♦	5bn	1994	5	(c)	100.10	LTCB Int.	-
Ind. Bank of Japan(k)♦	12bn	2004	15	6.4	102⅛	IBJ Int.	6.135
IFC(x)♦	20bn	1996	7	5⅛	100.80	Nomura Secs.	5.236

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ¶Floating rate notes. ♦Final terms. a) Redemption linked to Peseta/DM exchange rate at maturity. b) Yield to put 4.576%. c) Bid less 30bp yen/yen 5 year swap rate. d) 18bp over 3-month Libor. Call at par from 1992. e) Ind. yield to put 4.232%. f) Each SFr50,000 note has 93 warrants, each can be exercised into 1 share of Piper-Heidsieck at FFr2,500 each. g) Yield to put 4.019%. h) Yield to put 4.051%. i) Yield to put 4.217%. j) Fungible with DM1bn issue launched in early June. k) Coupon payable in A$. Additional Y8bn on tap. l) Yield to put 4.073%. m) Yield to put 3.791%. n) ⅛ over 6-month Libor. o) Fungible with earlier issue. p) Indicated yield to put 4.32%. q) Indicated yield to put 4.192%. r) Indicated yield to put 4.006%. s) Indicated yield to put 4.206%. u) 35½bp over 3-month Libor. Call at par after 5 years. Sinking fund. v) 75bp over 3-month Libor. w) Yield to put 4.102%. x) Daimyo bond issue. Note: Yields are calculated on AIBD basis.

هكذا من الاصل

T & N plc

has acquired

Abex Equipements S.A.

from

Abex Corporation

We acted as the financial adviser to T & N plc in this transaction.

Goldman Sachs International Limited

Goldman Sachs

January 1989

Unilever PLC

has sold its wholly-owned subsidiary

CEIM – Comptoir Electro-Industriel du Maine S.A.

to

CDME – Compagnie de Distribution de Matériel Electrique S.A.

We acted as the financial adviser to Unilever PLC in this transaction.

Goldman Sachs International Limited

Goldman Sachs

March 1989

Ciba-Geigy AG

has sold

the Ilford Group

to

International Paper Company

We acted as the financial adviser to Ciba-Geigy AG in this transaction.

Goldman Sachs International Limited

Goldman Sachs

April 1989

Aussedat Rey

has entered into an industrial and financial agreement providing for the financing of an industrial project by, and the transfer of its ownership to

International Paper Company

We acted as the financial adviser to Aussedat Rey in this transaction.

Goldman Sachs International Limited

Goldman Sachs

May 1989

US MONEY AND CREDIT

Fed sticks to its cautious approach

UNDER THE leadership of Mr Alan Greenspan the US Federal Reserve has a reputation for caution, an ability to fine-tune short-term interest rates through its open market operations and a willingness to respond to the desires of the Administration.

The drop in the Fed funds rate last Friday to a close of 8⅞ per cent compared with 9½ per cent at the start of the week points to an easing of monetary conditions. The question for the bond market, however, is how aggressively the Fed has loosened credit conditions.

The consensus as last week closed was that the Fed was now targeting Fed funds at 9¼ per cent, representing a 25 basis point easing to add to the ¼ point easing at the start of June. The precipitous drop in the Fed funds rate to below 9 per cent late on Friday suggests that the market believes either that the Fed is willing to tolerate Fed funds slightly below 9¼ per cent, or that a further easing move may be in the pipeline.

Expected inflation reports for June, with the producer prices index released on Friday, will be important.

The Fed's signals through its money market operations have suggested an easing but a desire for caution. The move towards lower interest rates was signalled last Thursday when the Fed decided not to drain reserves when calculations showed it needed to take liquidity out of the market.

The announcement of six-day matched sales on Friday confirmed the new target of 9¼ per cent – the Fed could have drained more aggressively if it had wanted to deliver a rate protest – but the market still construed the operation as a warning from the Fed's open market desk not to expect anything but the most gradual and cautious easing.

Nevertheless, the market appears comfortable with the view that the Fed will continue to unravel a year of monetary tightening against a background of slowing growth, apparently easing inflationary pressures and encouragement from the Treasury.

The Fed will want to protect itself from any suggestion that it has not done enough to avert a recession, and Fed watchers suggest that a discount rate cut could be timed to coincide with Mr Greenspan's Humphrey Hawkins testimony to Congress on July 20.

Southwest Bank of Missouri cut its prime lending rate on Friday to 10.5 per cent from 11 per cent, likely to be followed by other banks soon. It may be that the money centre banks are waiting for even clearer indications from the Fed on where it wants interest rates to settle for now.

All the quibbling over whether the new Fed funds target is 9¼ per cent or nearer to 9 per cent may seem a little pedantic. It is, however, of great importance to the bond market where the yield on the Treasury's benchmark long bond has been bumping up very close to 8 per cent.

Anticipation of an easier credit stance in response to the continuing deceleration in the economy has already produced a substantial rally in the bond market and the inverted yield curve has now turned positive.

The concern now in the bond market, particularly with the dollar looking more vulnerable, is that all the good news is out of the way and that the current rally does not have very far to go. There has been a definite sense of caution from portfolio managers with yields at 8 per cent, particularly with underlying inflation still running above 5 per cent.

Inflation remains the focus of economic debate, with one camp believing that inflationary pressures are beginning to dissipate along with economic strength and another fearing that these pressures are deeply entrenched and could be worsened by the sharp fall in interest rates across the board over the last two months.

June's price releases are expected to show a waning of inflationary forces – already suggested in last Friday's employment and earnings figures. Last month there was a marginal 0.1 per cent rise in average hourly earnings, suggesting there is little serious pressure on wages.

Along with the producer prices index on Friday, industrial production figures are due to be released. They are expected to be flat or showing a slight decline, which should reduce the capacity usage rate further.

The PPI itself is expected to have risen by only 0.1 point to 0.2 per cent, held down by a sharp fall in crude oil prices. Excluding food and energy, the index is forecast to have risen by a comforting 0.3 point.

Salomon Brothers suggests that the moderation of price pressures in June should be sustained. The company notes that the PPI for intermediate goods, excluding food and energy, rose by an annualised rate of only 3.5 points in the three months ended May, its slowest pace since 1987, and that for the first time in three years purchasing managers reported more price declines than increases in their report released early last week.

There was little concern that the enormous jumps in the PPI and consumer prices in the first quarter would continue. However, there is concern that the slowdown will not wipe out inflationary pressures.

In their July outlook, economists at the WEFA Group argue that the deceleration will give only a brief respite. They say: "The real danger will come when strong growth resumes. At that point inflation could begin to move up to a new – and higher – plateau. A new round of Fed tightening would almost certainly follow."

On balance it seems unlikely that these long-term concerns will override the near-term enthusiasm engendered by more economic data, which suggests continued slowing in growth and controlled inflation.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.00	9.25	9.51	10.00	6.27
Three-month Treasury bills	7.96	8.25	8.62	9.13	6.21
Six-month Treasury bills	7.88	8.13	8.56	9.67	5.72
Three-month prime CDs	8.97	9.10	9.30	10.15	6.77
30-day Commercial Paper	9.05	9.30	9.50	9.70	6.55
90-day Commercial Paper	8.75	9.05	9.15	10.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	107⅛	+⅜	7.99	8.08	8.49
20-year Treasury	111⅛	+⅜	8.11	8.13	8.55
30-year Treasury	109⅞	-⅛	8.04	8.03	8.45

Source: Salomon Bros (estimates).

Money supply: In the week ended June 26, M1 rose $1.6bn to $789.7bn.

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 6/7/89	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	148.13	5.26	147.57	147.99	148.49
Government Bonds	148.22	5.06	147.42	148.28	149.60
Municipal Bonds	150.03	5.45	149.51	149.75	150.35
Govt.-guaranteed Bonds	151.04	5.52	150.63	150.72	151.35
Bank Debentures	141.92	5.29	141.59	141.87	141.47
Corporate Bonds	150.69	5.52	150.60	149.78	147.90
Yen-denom. Foreign Bonds	155.80	6.07	155.61	153.71	151.55
Government 10-year†	5.14	–	5.23	4.96	4.83

† Estimated par yield

Source: Nomura Research Institute

Allied Irish in US issue

By Katharine Campbell

ALLIED IRISH Banks has launched a $150m issue of 6m perpetual non-cumulative preference shares in the US domestic market. This is the first time Allied Irish has issued shares in the US.

The package is structured to rank as so-called Tier 1 capital under the new guidelines set down by the Basle committee of central banks.

Sole lead manager on the issue is Merrill Lynch Capital Markets.

It will be priced towards the end of the month, but Merrill suggested that the gross receipt would be around 12 per cent.

UK GILTS

Sterling takes a divergent course

THE GILT-EDGED securities market traded lower in what was a fairly desultory period for the market last week. Trading was thin, volatile and characterised by the virtual absence of any serious domestic institutional interest.

The market appeared to decouple itself from sterling having, over previous weeks, traded down with the currency. As sterling put on a sprightly performance gilts took little cheer.

Industrial unrest is one reason suggested for the decoupling but another, more persuasive, one is that gilts only followed sterling down because of the likelihood that if the pound fell below DM3 then base rates would be raised again.

The relationship on the way up is not, however, symmetrical. When sterling is out of the danger zone – DM3.03 and below – there is not much difference between DM3.05 or DM3.10.

Long, hard slog

Although the monetary easing now under way in the US is helpful for sterling, no one should expect it to be reciprocated in the UK. Base rates are staying where they are for the foreseeable future and building society mortgage interest rates are probably on the way up.

The Co-Operative Bank's decision on Thursday to raise its mortgage rate from 14 per cent to 14¾ per cent is a pointer to what is likely to happen more generally with the big building societies over the next month or so.

The rationale for a rise will be the same as used by Co-Op – as there was no sign that base rates were headed downwards in the near future, it was unfair to ask investors to subsidise borrowers. The mortgage rate rise reflected the true cost of money.

Building society net retail deposits were £713m in May against £1.2bn in April; net wholesale finance rose to £1bn in May compared with £40m a month earlier. This reliance on wholesale, and therefore more expensive, finance relative to retail deposits is believed to have continued into June.

When base rates were raised to 14 per cent on May 25 there was a presumption that the authorities were forced into the move by the foreign exchange markets. The line of reasoning ran that it would be reversed as soon as sterling allowed, so there was no need for the building societies, which were attracting healthy inflows, to raise their rates.

That has changed. Base rates are not coming down for a long time and the authorities expect – although do not know with certainty – that building societies will announce in the next couple of weeks a rise in the mortgage rate. The squeeze is on and the authorities have conceded that the screw needs another turn.

Although another rise in mortgage rates is likely to be unhelpful for the Government's popularity, both the Treasury and the Bank of England have recently completed their summer re-forecasting exercise and once again they have discovered that there is a little too much life in the UK economy for its own good.

The official message is that policy will work but the speed of adjustment will be slower and success is only to be won after a long, hard slog.

A particular problem is inflation, with the outlook hingeing critically on what happens to wages in the autumn/winter round of pay negotiations. Official forecasts for end of year inflation now have the fourth-quarter rate at about 6.5 per cent. But fourth quarter 1990 forecasts of about 5 per cent plus are based on wages rising, although not significantly. The risk in official forecasts is, therefore, that the wage round concedes much higher awards.

The outlook for pay is finely balanced. Settlements have risen from between 6.5 and 7 per cent a year ago to between 7.5 and 8 per cent now. Claims have subsequently risen to the 9 per cent level. At 9 per cent, given the likely prognosis for productivity growth, unit labour costs may be about 6 per cent by year-end.

To some in the market this is perilously close to validating a much higher rate of core inflation than is consistent with expectations of declining inflation.

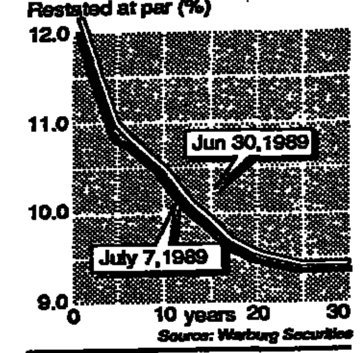
A mortgage rise, if it were to come shortly and come into effect in August, would nullify much of the expected benefit to the retail prices index of last year's rises falling out of the count. (If there is no mortgage rate rise in August the RPI should fall).

The August RPI, reported in September, would therefore come at a time when a number of car industry pay deals are being negotiated and it is unlikely that pay bargainers will be indifferent to the annual rate. Ford workers, after all, secured a two-year deal based on a settlement which guaranteed a 2½ point margin above inflation and it seems unlikely they would want less this time around.

Simon Holberton

UK gilts yields

Restated at par (%)



Source: Warburg Securities

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AHFC O/S FIN. 11¼ 94	100	102¼	+¼	10.90
ALBERTA PROVINCE 7¾ 91	750	97¼	+½	8.65
ALBERTA PROVINCE 9¾ 95	600	103⅞	+½	8.65
ALCOA AUSTRALIA 11 92	80	101⅞	+⅛	10.27
AMERICAN GENERAL 9¾ 95	100	103	+¼	9.09
AUSTRALIA 11¼ 90	100	102	+⅛	9.39
AUSTRALIA 11¼ 00	100	108¾	+⅞	9.91
AUSTRIA 7¼ 97	200	94⅛	+⅛	8.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
QUEBEC PROV 13 90	150	104	+⅛	9.49
QUEENSLAND GOVT 11½ 89	100	100⅛	0	9.81
RALSTON PURINA 11¼ 95	150	108½	+1⅛	9.76
REYNOLDS R.J. 10¾ 93	100	97	+⅛	11.16
RICHARDSON-VICKS 11¼ 93	125	103⅛	+⅛	10.52
ROCKWELL INT 9⅞ 90	200	100⅛	+⅛	9.61
S.A.S. 10¼ 95	150	104⅝	+⅛	9.12
SARA LEE 9¼ 93	150	99⅞	+½	9.41
SASKATCHEWAN 7 91	125	97¼	+½	9.05
SASKATCHEWAN 8½ 91	150	99⅛	+⅛	9.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¼ 93	20.0BN	102⅜	-⅛	5.88
AUSTRIA 4⅝ 94	30.0BN	97⅞	+⅛	5.40
AVON CAPITAL 6⅝ 91	26.0BN	100	0	6.73
BARCLAYS O/S INV 6 96	40.0BN	103⅜	+½	5.41
B.F.C.E. 5⅝ 96	20.0BN	102⅛	+⅛	5.37
CANADIAN PACIFIC 6⅛ 96	10.0BN	104⅛	+⅛	5.85
DENMARK 6⅜ 92	20.0BN	103⅛	+⅛	5.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on [illegible]

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Siemens hints at rise in dividend this year

By Haig Simonian in Istanbul

SIEMENS, the West German electricals and electronics group, has given the strongest indication to date that it intends to raise this year's dividend after a surprise cut in 1987.

Although the company will not officially decide on the dividend until November, Mr Karlheinz Kaske, chief executive, made clear that earnings for the 1988-89 year to September would be higher than those in 1987-88.

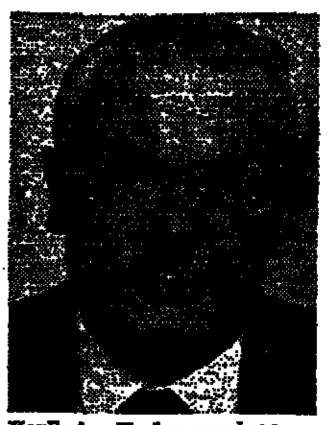
The company has stressed its commitment to a profit-related dividend policy, a strategy re-emphasised by Mr Karl-Hermann Baumann, the finance director, at its summer press conference on Saturday.

Net profits in the six months ended March rose 8 per cent to DM652m ($348.2m). Mr Kaske did not indicate what the rise was likely to be for the year, but warned against euphoria.

Sales in the first eight months to May rose 10 per cent to DM38.8bn. Foreign turnover climbed 17 per cent to DM20.2bn, while domestic sales rose 3 per cent to DM18.6bn. The figures do not include Siemens' record DM1.5bn personal computer deal with the Soviet Union, announced last month.

Figures for new orders show that Siemens is benefiting from a marked upturn in domestic demand after a lengthy period of near-stagnation or falls. Boosted by Germany's current strong growth rate, domestic new orders leapt by 18 per cent to DM18.3bn in the first eight months of the current business year against a 17 per cent increase to DM24.1bn for foreign new orders.

However, the rise will not be reflected immediately in group turnover, which should reach about DM60bn this year against DM59.4bn in 1987-88, due to a decline in sales of nuclear power stations.



Karlheinz Kaske: earnings will increase in 1988-89

Siemens booked two big new nuclear plant sales, worth about DM4bn each, in 1987-88 against only one this year. The decline will be repeated in 1989-90, when no nuclear plant sales are due, said Mr Kaske.

The German Government's decision to drop the Wackersdorf nuclear reprocessing plant, for which Siemens' KWU subsidiary is the lead contractor, would not cause any marked damage to profits, said Mr Baumann. Siemens would be paid for the work already done, but had no special cancellation clauses.

However, Mr Kaske stressed that solar cells, which Siemens will now develop on the Wackersdorf site, would never be an alternative for nuclear or conventionally generated power.

He issued a strong call to governments to proceed with nuclear power projects.

Negotiations with IBM on the purchase of the Rolm telecommunications unit were proceeding, albeit slowly, Mr Kaske said. The two sides had agreed on all essentials, but he could not say when the deal would finally go through.

Meanwhile, Siemens' production of high-capacity memory chips is proceeding according to plan. The group now expects to exceed its target of 20m one-megabit chips in the current business year, and make double that in 1989-90. Following IBM's start-up of mass production of its four-megabit chip in Europe last month, Mr Kaske said Siemens was on course to start volume manufacture of its four-megabit device before the end of 1989.

Trade matching system for LTOM comes on line

By Katharine Campbell

THE LONDON Traded Options Market installed a new system for reporting and matching transactions last week that will give both the exchange and member firms a tighter grip on the progress of each trade through the settlement process.

The Trade Registration System (TRS), which was developed and first deployed by the London International Financial Futures Exchange, has been adapted over the past six months for LTOM's use. It is a crucially important – if unglamorous – aspect of attempts for closer co-operation between the two exchanges. Other London exchanges are also believed to be considering the system.

TRS is being phased in over the next two months. It was introduced on Friday for options on chemical stocks, which make up about 10 per cent of the exchange's total volume.

Until now trades have been matched in batches about every two hours. In peak periods up to 3 per cent of trades remain unmatched overnight, leaving member firms with a significant risk exposure.

With TRS in place, trades can be matched as quickly as traders' records of their transactions – still hastily scribbled on pieces of paper and posted in a box at the edge of the floor – can be entered into a computer terminal.

The system, which has a capacity in excess of anything LTOM could fill, will, in combination with a real-time data base also just introduced, vastly enhance the exchange's surveillance capabilities.

It will also smooth members' back-office operations – particularly when the system becomes congruent with Liffe's, as is proposed.

Other possible extensions of TRS include an order-routing capability, which would allow members to convey orders to the floor electronically.

LTOM is also reviewing all its floor systems, which have remained virtually unchanged since the market opened 11 years ago. Mr Tony de Guingand, LTOM director, said that a new-equipment supplier would be chosen by the end of the month.

In common with most other derivative product exchanges, LTOM has been browsing among the various electronic trading systems presently available in preparation for the day when futures and options trading moves off the physical floor.

Mr de Guingand said he was looking closely at Liffe's APT, which is still being developed, and that LTOM would be consulted on the work now in progress to accommodate options on the system.

Meanwhile, LTOM's bid for a degree of autonomy from its parent, the Stock Exchange, appears to have run into opposition.

LTOM had been hoping that Stock Exchange council members would vote last week on whether to sanction the creation of a separate subsidiary, LTOM Ltd.

But the issue has stalled in committee.

"The implications are wide-ranging," Mr de Guingand said. He was not prepared to comment on the likely outcome.

CBCM creates vehicle to issue property-backed note

CONTINENTAL BANK Capital Markets last week launched a four-year floating-rate note collateralised by US commercial property, through a specially created vehicle called Realty Frends-1, writes Katharine Campbell.

The deal follows Frends, a collection of leveraged buy-out financings securitised into a floater that Continental brought to the market in December, and the bank believes that more repackagings of wholesale financial assets will follow in the near future.

Last week's $149m FRN, which pays a margin of 75 basis points over the London interbank offered rate, is collateralised by loans with a face value of just over $166m. The 18 properties concerned have a market value of $274m.

The securities' expected average life is between 30 and 36 months, and they carry an A rating from Duff & Phelps. The previous issue also carried a "private" rating from Standard & Poor's of BBB, but in this case Continental says it felt it did not need the additional rating.

As in the previous Frends deal, the "credit enhancement" – or the ugly-duck-to-swan transformation – consists partly of dividing the debt into two portions, senior and subordinated. The senior debt in this case is the FRN.

Meanwhile, the subordinated paper, which represents about 10 per cent of the total, is unrated because it ranks behind the FRN in the payment queue.

In this case it is being held by the Balcor Company, which is the property company that originated the loans. Balcor is ultimately owned by American Express.

The other element of credit enhancement lies in the diversification of the loans themselves – 18 properties with differing functions spread across 10 states.

Mr Bill Goodyear, chairman of Continental Bank Capital Markets, noted that "the difference between these two deals and the bulk of the collateralised mortgage obligations is that most of the others carry the highest ratings [with a correspondingly finer margin].

"Here, the investor prepared to analyse the issue can earn the extra yield available on a single A security."

Century City units to be based in Bermuda

By Michael Marray in Hong Kong

HONG KONG'S Century City group, the property, hotels and investment empire controlled by Mr Lo Yuk Sui, a local entrepreneur, is to move the domicile of its five quoted units to Bermuda, adding to the list of more than 20 Hong Kong companies which have changed their domicile so far this year.

Included in the Century group is Regal Hotels, which acquired last year a controlling stake in the Aircoa hotels group, the largest independent hotel management company in the US. Another unit, Cathay City, thrust Mr Lo into the limelight late last year with an unsuccessful bid for control of Hongkong and Shanghai Hotels, which owns the colony's famous Peninsula Hotel.

The other two companies involved in the move to Bermuda, which is subject to the approval of shareholders, are Paliburg Investments and Richfield International Investments. If approval is obtained each company will become a separate wholly owned subsidiary of a Bermuda incorporated holding company.

A statement said that the new domicile reflected the growing international interests of the group.

● Sir Yue-Kong Pao, the shipping and property tycoon, has transferred his entire controlling interest in World International Holdings to other members of his family, in the latest move to smooth the succession of his business empire into younger hands.

World International is the ultimate holding company for Sir Y.K.'s other listed companies, including Wharf Holdings. A statement said that his 64.9 per cent stake had been transferred to trusts benefiting certain family members.

Sir Y.K. handed over the chairmanship of World International some years ago to Mr Peter Woo, his son-in-law, with Dr Helmut Sohmen, another son-in-law, becoming deputy chairman. Mr Woo looks after the group's hotel and property interests, while Dr Sohmen concentrates on shipping and aviation.

AMI accepts $2bn buy-out proposal

By Janet Bush in New York

BIDDING for control of American Medical International, the troubled Beverly Hills hospital management group, ended at the weekend when the company announced it had accepted a $2.14bn leveraged buy-out proposal from an investor group that included the Pritzker family of Chicago and First Boston.

This proposal overcame several other offers including one from Clayton & Dubilier, the New York leveraged buy-out specialist.

Under the terms of the deal the investment group will pay $28 a share for 94 per cent of the company's outstanding shares. The remaining 6 per cent will be converted into common shares of IMA Holdings Corporation, which will control American Medical.

Mr Richard Gilleland, American Medical's chairman who is expected to stay on, said that the company would consider selling its 25 acute-care and psychiatric hospitals in Europe to help repay the substantial amount of debt taken on to finance the buy-out.

The IMA group includes the company Harry Gray, Mel Klein & Partners backed by the Pritzker family. The company is paying $250m. First Boston Securities is providing $712.8m in subordinated debt, and Chemical Bank will provide $800m in senior debt and arrange for the placement of another $920m.

The bidding for American Medical began in March when the company responded to onerous debt and dwindling operating margins by announcing a $1.9bn restructuring plan. The company also said that it would consider other options.

Clayton & Dubilier joined forces with Mr Lee Pearce, a member of American Medical's board, to offer $24 a share. That was followed by a proposal from Brian Freeman Enterprises, a New Jersey investment firm. This proposal centred on an acquisition of American Medical by an employee stock ownership plan for about $27 a share.

The intense interest in American Medical follows precedents set over the last year, when Hospital Corporation of America and Charter Medical Corporation, two large hospital operators, went private.

American Medical achieved operating earnings of only $153.9m on revenues of $3.1bn in 1988 and saw operating profits plunge in the first half of this year.

However, analysts have started predicting an improvement in revenues for hospital chains this year after a decline of as much as 10 per cent over the last six years.

Vickers of Montreal to close with 400 job losses

By Robert Gibbens in Montreal

VICKERS, the Montreal engineering group founded as a shipbuilding offshoot of the British Vickers company in 1911, is to close with the loss of about 400 jobs.

Vickers has run up losses totalling C$40m (US$33.6m) in the past five years. It has delivered its last Candu nuclear power components to Ontario Hydro and orders for US submarine parts are drying up as Washington reins back defence spending.

Several years ago Vickers acquired technology from Ansaldo of Italy to make large pressure vessels for the oil processing and petrochemicals industries, but could not get sufficient volume to compete with countries such as Japan.

The Vickers' unit quit shipbuilding in 1970, due to competition from Asian yards, and was sold to a private group before becoming part of Versatile Corporation of Vancouver in a rationalisation of Canadian shipyards.

By 1986 the industry was forced through another rationalisation and Vickers was merged with the local MIL group. Alsthom of France owns 35 per cent of MIL.

In both World Wars Vickers built warships, merchant vessels and industrial parts, and was one of Quebec's largest employers.

UK COMPANY NEWS

Outcome hinges on the worth of the Isosceles stub

Nikki Tait brings the bid for Gateway up to date as the battle enters its last critical week

WHEN THE auction for Gateway was at its most feverish one of the numerous advisers involved drew a long breath. "The key thing in this offer," he commented, "is how the end-game pans out."

As the last critical week in the long-running battle for control of Britain's third largest food retailer begins, shareholders already have a pretty good idea. For all the past month's drama, and the continuing flurries of propaganda from one side or the other, the picture is remarkably clear.

On the one hand, there is Wasserstein Perella, the US corporate finance boutique set up by two former First Boston deal-makers last year, together with Great Atlantic and Pacific Tea Company, the fourth largest food retailer in America. Through their bid vehicle, Newgateway, they are offering 242p cash per Gateway share. This prices the group at £2.15bn, and the deal is recommended.

On the other, stands the home-bred team of Isosceles, a newly-formed company headed by accountant Mr David Smith and advised by SG Warburg, arguably Britain's pre-eminent investment bank.

Isosceles is offering only 230p cash, but has a cash and paper alternative. The cash element amounts to 215p; the value of the paper is debatable, but an assessment carried out for Isosceles by US investment bank Salomon Brothers suggests the equivalent of 30p-35p a share. If this is believed, Isosceles can claim to be offering 245p-250p.

Meanwhile, in terms of stakes, Isosceles has snapped up 37.6 per cent of Gateway, at prices up to 230p. Parties acting in concert with it, own or manage on a discretionary basis a further five per cent, while the last-announced level of "external" acceptances added another 1.5 per cent.

On the other side, a market raid on Friday has left Newgateway holding 30.4 per cent, largely purchased at prices between 235p and 242p.

There is, then, about one quarter of Gateway's equity left to fight for. Part of this will be the "dead register" – shareholders who cannot be traced or are simply inactive – while some shares are held by index funds which may duck any decision-making.

Of the remaining 15-20 per cent, about half is held by two institutions: the Prudential (just over four per cent) and M & G (just under six per cent). Isosceles denies that it needs to win one or other to achieve success, but the task if it loses both looks tough.

The institutions, meanwhile, have until Friday, when the Isosceles' offer reaches its final close, to decide – and neither M&G nor the Pru is known for rushing its fences. The Newgateway offer runs for a further week and could be extended.

All, then, hinges on the Isosceles "stub" – the relatively small equity base of the ongoing company, over half of which is being offered by Isosceles to Gateway shareholders via its cash and paper alternative. The value of this, in turn, depends on the bidder's plans for the group.

Isosceles' proposals have been clear from the start. It intends to sell on Gateway's 80 superstores, where margins are currently below the average for the group, plus the troubled US sporting goods retailer Herman's and the Medicare chain in the UK. It would then end up with over 700 "middle ground" outlets, and the ongoing programme would seek to centre on the "large supermarket" – 15,000-25,000 square feet – while weeding out the very small stores. The group would be run by existing, reincentivised management minus chairman Alec Monk.

The stub itself comprises both ordinary and preference shares, going to make up Isosceles "units". Salomon's methodology has been to take the group's expected market value in 1991-93 based on projected operating profits and cashflows, and discount back for a present value of the ordinary shares. For the preference, there has been a similar discounting of the expected cash flows from dividends plus the anticipated redemption value. The results have then been aggregated.

The problem for outsiders is that, although Salomon has discussed its methods at length and had personal access to Isosceles' projections, the latter have not been made public.

That has not stopped some analysts attempting to do some sums. One pundit, for example, suggests that trading profits should top £200m five years out, with debt largely repaid. But, as another analyst points out, such projections are highly dependent on the speed and success of the disposal programme, the consequent levels of cash flow, and on the stability of the retail enviroment. While it is true that part of stub value might be underpinned by its potential yield and the repayment of the preference class, even Isosceles concedes that this is unlikely to amount to more than about of 30 per cent of the Salomon figure.

With imperfect information, the stub's attraction becomes a matter of risk assessment. The comments of one fund manager who finally exited in the market on Friday sum up the dilemma: "It was a very difficult decision. We did as much work as we could but couldn't convince outselves that the paper was worth 27p" (the difference between Isosceles' 215p cash element and Newgateway's 242p).

Jim Wood – there may be scope for "segmentating" parts of the business

Tellingly, he continued: "The stub's a strange animal – and after all, if we wanted to hold this sort of security, there are other ways." It is that sort of thinking which inclines a number of analysts to give Newgateway the edge – but since Isosceles needs only a small number of additional shares, no one cares to be too sure.

It is, of course, possible to argue – as Isosceles does, to good effect – that Newgateway's willingness to pay 242p a share to some extent underpins the Salomon valuation. That, retorts Newgateway, would only be true if the planned strategies for the business were the same.

As a further circular to shareholders this weekend makes clear, the Newgateway strategy centres on a retrenchment into geographical areas where Gateway is strong, and pulling out of others, like London, where market share is small. It concedes that some 300 stores would be sold, but maintains that the vast majority of the superstores would be kept.

Drawing on his experience in turning round the A&P business in the US, chief executive Jim Wood argues that there may then be scope for "segmenting" the different parts of the business, although he avoids being too specific about the possiblity of separate trading names and the like.

What he does assert is that this approach will mean that Newgateway sheds only 22-25 per cent of Gateway's buying power, compared with Isosceles' 30 per cent. Moreover, some additional buying clout will be retained because Newgateway can still point to market leadership in some of the regions where the chain keeps a presence.

Isosceles, quick to reply, retorts that some of the loss would be non-food items; that altering the product range many actually tighten the buying side; and that there is additional scope for improving payment terms, so volume is not all.

The arguments do not quite end there. Newgateway added pressure over the weekend by saying that it has no intention of accepting the Isosceles offer, regardless of the outcome. The two sides differ on how binding this might prove – and it seems almost certain that there would be some leeway a few months out. Nevertheless, Newgateway stresses the potential tax problems of making payments up from Gateway to Isosceles to meet interest and fee costs as long as it remains a stakeholder. Isosceles counters that it sees no such difficulty, and would in any case have the benefit of the £700m-plus from the pre-arranged sale of 62 superstores to Asda.

But whatever the outcome, the bid may be seen as something of a watershed. It has undeniably pushed out the frontiers as far as leveraged offers – those dependent on large debt financing – are concerned. Both parties' funding packages employ sophistication not previously seen in the UK; use record amounts of mezzanine finance (ranking between senior debt and equity in terms of risk/reward): and Wasserstein's involvement has brought a US leveraged buy-out fund into the UK bid arena for the first time.

The other major dimension to this contest is the extent to which City politics are at stake. Wasserstein's arrival – only engineered after US leveraged buy-out specialist, Kolhberg Kravis Roberts, dropped out as a potential partner to A&P – is a forceful push by US finance into UK territory. Moreover, on the banking side, Citicorp leads Newgateway's senior debt having refused to contemplate Isosceles' no-win, no-fee structure.

Some observers suggest that this explains why Warburgs has fought so hard – and failed to throw in the towel despite the fact that Isosceles is sitting on a gross profit of over £70m. The deal, after all, represents Warburg's first major foray into the "leveraged bid" arena, once seen as a lower quality end of the merchant banking business.

If current stock market levels and recent volatility persist, the use of leverage – already dominant in hostile assaults over the past year – may become an increasingly familiar feature. In short, reputations are being built.

United Biscuits dismisses rumours of takeover bid

By Ray Bashford and William Dullforce in Geneva

SIR HECTOR Laing, the chairman of United Biscuits, said yesterday that he did not believe a takeover bid for the company was being planned.

There had been no suspicious movements in the company's share register, which is being watched closely, and there had been no discussions with any potential suitors, he said.

Sir Hector's comments follow weekend newspaper reports that Jacobs Suchard, the Swiss confectionery group, is planning a £2bn hostile takeover for United Biscuits.

"Food companies are in the spotlight but I don't believe we're in anybody's sights at the moment," he said.

Mr Klaus Jacobs, chairman and majority shareholder in Jacobs Suchard, said his company's policy was not to comment on any rumours of takeover bids.

But he added that he had been surprised, when contacted at his home at Kusnacht, near Zurich, and asked about the newspaper reports.

When a similar rumour surfaced in January, sources close to Jacobs Suchard said United Biscuits was unlikely to be the Swiss group's main target in the UK.

At a press conference in April Mr Jacobs said the group was looking very intensively towards the Asian and Pacific markets for expansion. In other statements he has stressed that it aims at growing in "coffee, confectionery and related businesses". Jacobs Suchard held SFr1.7bn (£654m) in cash and marketable securities at the end of December after collecting a SFr458m windfall profit from its failed bid for Rowntree last year.

Expanding Turnbull advances to £1.73m

TURNBULL SCOTT, the shipping, engineering, security and property group, achieved a 46 per cent improvement in pre-tax profits for the year to end-March and also announced the expansion of its security side via a £1.42m acquisition.

The directors said the group was moving ahead strongly in line with the strategy laid down for the future.

For the 1988-89 year the group lifted turnover 32 per cent to £18.92m (£14.32m) and the profit worked through at £1.73m (£1.18m).

Earnings were 19.1p (18.6p) and a final dividend of 3.85p makes a total of 6p. That compares with an adjusted 4.5p last time.

In September the group acquired Relcross, distributor of security products, and a minority stake in Security Vision Nameplates. It is now buying Lydney Containers for £720,000 in cash and loan notes and the issue of 251,593 shares, of which 104,225 will be placed to raise £280,000 for the vendors. Lydney makes security containers and storage boxes.

There was an extraordinary profit of £455,000 (£260,000) which was generated primarily by the sale of a property.

Shareholders' funds rose from £10.98m to £12.98m, and included a professional revaluation of freehold and investment properties. Revaluation of the vessels (Stainless Spray and Irishgate) were not included. A current valuation of the former showed an increase of some 55 per cent over book value.

Electrocomps £15m sale of franchised components side

By John Thornhill

Electrocomponents, the distributor of electrical and electronic components, is to sell its franchised components division for about £15m in order to concentrate on the expansion of its remaining businesses.

The franchised components division consists of RR Electronics, based in the UK, and the West German Retron group. Both are to be sold to Arrow Electronics, the US electronic components distributor, through its UK subsidiary and its West German associate company, Spoerle Electronic.

Mr Robert Tomkinson, Electrocomponents' finance director, said the two companies' profitability "has not been at all good in the past and they are not in the top rank of franchise distributors. We either had to get very much bigger or get out."

In the year to March 31 the franchised components division made profits before tax, interest, and exceptional costs of £700,000 on turnover of £37.6m. It was estimated that at July 31 1989 RR's net assets would be £300,000 and Retron's about £5.2m.

The £15m consideration includes the repayment of about £8.1m in debt in the UK. Mr Tomkinson said the proceeds would be used to develop the group's existing businesses, including the establishment of a greenfield site in West Germany for its RS group.

Southwest Resources £1m loss

SOUTHWEST RESOURCES, the USM-quoted oil and gas company, finished the year to March 31 1989 with a loss of £1.08m, compared with a profit of £525,000 previously.

Despite a relatively stable production base losses increased in the second half, principally as a result of higher interest charges on a substantial debt.

However, the result is considered only of historic interest as the £9.7m rights issue and acquisition of Guardian Investment Holdings, now completed, will help transform the prospects for the company.

But the pre-tax loss is up to £11m, after taking in an exceptional £9.9m for writing down the carrying value of US oil and gas reserves and oil royalty interests in Thailand.

The first half of the current year will be affected by the problems of the past. The transactions in May, however, achieved two key objectives – debt reduction and diversification – and the group will enter the second half in a stronger position than for several years.

Guardian is a profitable and cash generative business engaged in property management and related services in Hong Kong. The current unrest in China is not expected to have a material impact on it.

Guardian was purchased from Dominion International Group, which held 19.6 per cent of Southwest. That deal and the rights issue increased the holding substantially, but Dominion has stated its intention of reducing the interest in an orderly fashion over time.

Southwest's turnover amounted to £2.96m (£3.53m) for the year. After a tax credit of £20,000 (£92,000 charge) losses were 21.16p (0.83p earnings) per share.

BAe at advanced stage to take over Arlington

By Ray Bashford

BRITISH AEROSPACE is at an advanced stage in negotiations for the agreed takeover of Arlington Securities, the property group.

The companies are expected to made a statement on the planned takeover within the next ten days. This follows several weeks of stock market speculation that BAe might launch a bid for a listed property company.

Professor Roland Smith, the chairman of BAe, has, on several occasions, expressed publically his intention to take the company deeper in the property business.

BAe has its own property portfolio, acquired primarily through the purchase of Royal Ordnance in April 1987, which is expected to make a big contribution to group profits when redevelopment work is completed.

Arlington shares rose strongly last week when the company said that it was in discussions which may lead to a takeover offer.

COMPANY NEWS IN BRIEF

BURNS-ANDERSON has paid £1.12m cash for Just Jobs, a secretarial employment agency operating from Kensington High Street. In the year ended November 30 1988 it made £142,000 pre-tax and for the six months to May 31 1989 profit was £138,000.

HERRING SON and Daw has acquired Phillips Brown, Knutsford-based chartered surveyor and development consultant, for £800,000, partly satisfied by the issue of ordinary shares. Its pre-tax profits in the year to August 31 1988 were £82,000 on turnover of £319,000, and profits for the year to August 1989 are forecast at £148,000 on £448,000 turnover.

NEEDWOOD HOLDINGS, the privately-owned builders merchant which recently bought part of the UBM chain from Meyer International, made pre-tax profits of £601,000 on turnover of £43.3m in the year to March 31 1989.

SPIRAX-SARCO is acquiring Long Bridge for the equivalent of £635,000 cash. Long Bridge is the sole distributor in Taiwan for the company's range of products and a range of boiler-house related products.

STORMGARD is buying Premier-Grip for £3m and Network UK for £375,000 satisfied by a total of 19.6m shares. In 1988 Premier saw an operating profit of £439,000 on turnover of £3.5m. Net assets at December 31 were £1.15m.

TRIMOCO, the Luton-based motor group, has sold the near 1 per cent stake it built up last month in T. Cowie, the vehicle distributor and contract hire group. The holding of 1.25m shares was sold over the last three weeks for £1.78m.

WILSHAW is paying 1.21m cash for the freehold site rented by its FC Precast subsidiary.

Racal Electronics sells Dutch furniture arm

By Terry Dodsworth, *Industrial Editor*

Racal Electronics, the electronics group which is restructuring some of its businesses, has completed the sale of Gispen & Staalmeubel, its Dutch based office furniture subsidiary.

The company and its West German sales office are being acquired for £13.9m in cash by Skandinavisk Holdings of Denmark. Racal is also selling the Gispen sales office in Belgium for £300,000.

Gispen, which became a member of Racal four years ago through the acquisition of the Chubb security and fire group, is based at Culemborg and Roden in The Netherlands. It employs 413 staff and has a turnover of £21m.

Mr Philip Crossland, chairman of Racal-Chubb, said that funds raised from the disposal would be used for the company's European expansion programme.

Sketchley expands via £2.4m purchase of Jacy of London

Sketchley, the dry cleaning and vending group, is moving further into the business of supplying corporate clothing and uniforms through the £2.4m acquisition of Jacy of London.

The company is paying £1.2m in cash and the remainder in the form of floating rate unsecured loan notes, redeemable between May 1990 and May 1993.

Jacy returned pre-tax profits of £279,087 for the year to March 31 1989. Net assets at the same date were £193,788

Pittencrieff buys US oil and gas interests of Seahawk Oil Intl

Pittencrieff, the private Edinburgh-based oil investment company, is purchasing the US oil and gas assets of Seahawk Oil International, a US company, for £2.6m.

The acquisition is expected to add £800,000 of cash flow to the company, assuming current oil prices and exchange rates. Pittencrieff has been buying underperforming US oil and gas production properties and attempting to increase profit and cash flow by cutting overheads and improving management.

William Hill chairman resigns

By Philip Coggan

Mr Bob Green has resigned as chairman and managing director of William Hill, the bookmaking subsidiary of Grand Metropolitan, just eight months after Grand Met acquired the business.

The announcement said that Mr Green was resigning in order to establish a racing and off-track wagering business in the US. He will remain a non-executive director of William Hill.

Mr Green has spent 28 years at William Hill, which for many years was part of the Sears Holdings group. The sale of William Hill from Sears to Grand Met is being investigated by the Monopolies Commission.

The new managing director of William Hill is Mr Mike Smith and Mr David Tagg, a Grand Met director, will be chairman.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Alan Paul (Section: Drapery & Stores).
Enso-Gutzeit (Unrestricted R. shs.) (Paper).
Fuspel Trading Group (Textiles).
Miskin Group (Buildings).
Nestlé SA (Bearer & Reg.) (Foods).
TLS Range (Motors-Garages & Distributors).
Tavern Leisure (Third Market).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Barr (AG), Low & Bonar, Norfolk House.

Finals- ASDA, Aitken Hume Intl, Batleys, Ellis & Everard, Finlan, First Technology, Fleming Technology, Marston (John), Ransom (Wm), Triplex Lloyd, Union Square.

FUTURE DATES

Interims-
Eurotherm Intl ... July 17
Evode ... July 17
Royal Insurance ... Aug 10
St Modwen Properties ... July 25
Selective Assets ... July 20
Stainless Metalcraft ... July 7
Trinwood ... July 26

Finals-
Equity Consort ... July 27
Harris (Philip) ... July 18
Knobs & Knockers ... July 13
Optical & International ... July 26
Robertson ... July 24
Wintrust ... July 11

FINANCIAL TIMES STOCK INDICES

	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jun 30	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.43	85.47	85.72	85.74	85.47	85.01	89.29	83.75	127.4	49.18
Fixed Interest	96.80	96.54	96.52	96.82	96.33	96.27	99.99	95.21	105.4	50.53
Ordinary	1816.6	1794.7	1798.0	1800.3	1791.6	1784.5	1837.5	1447.8	1926.2	49.4
Gold Mines	206.0	203.7	199.1	196.5	195.2	196.4	206.0	154.7	734.7	43.5
FT-Act All Share	1122.34	1110.00	1109.36	1113.40	1108.83	1101.68	1131.41	921.22	1238.57	61.92
FT-SE 100	2189.1	2161.2	2162.9	2174.4	2165.6	2151.0	2209.4	1782.8	2443.4	986.9

هكذا من الأصل

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
English & Intl. Tst., 11, Devonshire Square, E.C., 12.00
[illegible]

Equity Consort
Fleming O'seas
Flextech
Highgate & Job
Howden
Knobs & Knockers
Morris Ashley
Southend Prop
Tiphook
Trevian
Wintrust
Wyko
Zetters
Interims:
Commercial Bank of Near East

[illegible]
TVS Entertainment
Union Discount Co of London
DIVIDEND AND INTEREST PAYMENTS-
Cooperation Econ 12¼pc Ln 2013 6⅛pc
Conversion 9½pc Ln 4.75pc
Conversion 9pc Ln 2011 4.5pc
Early's of Witney 8pc Pf 2.1p
German Smaller Co's. Inv. Tst. 1.5p
Hewlett-Packard 9.6cts
London Atlantic Inv. Tst. 6.4pc
Mercury Asset Management 11.5p
Nu-Swift 9p
Tiger Oats 194cts
Treasury 10pc 1991 5pc
U.E.I. 5.4p

[illegible]
Accountants, Moorgate Place, E.C., 11.30
Reliance Security, City of London Club, 19, Old Broad Street, E.C., 12.00
Verson Intl., 75, Harborne Road, Birmingham, 11.30
BOARD MEETINGS-
Finals:
AIM
Ferranti Intl.
Moorgate Inv. Tst.
Interims:
Acsis
Anglo & O'seas Tst
First Chicago
General Cons Inv Tst

[illegible]
Pacific Gas & Electric 35cts
Saatchi & Saatchi Finance 6¾pc Pf 2003 6¾pc
Do. 6¾pc Pf 2003 (Br) 6¾pc
Sweden (Kingdom of) 11pc Ln 2012 5.5pc
Treasury 13pc 1990 6½pc
Treasury 9½pc Ln 1999 4.75pc
Upton (E) 10pc Ln 1990 5pc
Witan Inv 3.4pc Pf 1.7p
Yelverton Invs. 8pc Ln 1997 4pc
SUNDAY JULY 16
DIVIDEND AND INTEREST PAYMENTS-
Anglo & O'seas 4½pc Pf 1.575p
Treasury 8½pc Ln 2007 4¼pc

PARLIAMENTARY

Today

Commons: Estimates debates on Department of Energy administration and civil aviation services.

Question on all outstanding estimates at 10 p.m.

Lords: Electricity Bill, report.

Education (Assisted Places) Regulations, motion for approval.

Select committee: Environment: subject, contaminated land. Witness: Institution of Environmental Health Officers. (Room 21, 5.15 p.m.)

Tomorrow

Commons: Finance Bill, remaining stages.

Motions on Rate Support Grant (Scotland) Order and Redundant Mineworkers and Concessionary Coal (Payment Schemes) Order.

Lords: Fair Employment (Northern Ireland) Bill, committee.

Licensing Amendment (Scotland) Bill, second reading.

Wednesday

Commons: Finance Bill, remaining stages.

Motion on EC document on food irradiation.

Lords: Social Security Bill, report.

Cardiff Bay Barrage Bill, third reading.

Pesticides (Fees and Enforcement) Bill, committee.

Select committees: Trade and Industry: subject, information technology. Witness: Council of Civil Service Unions. (Room 15, 10.45 a.m.)

Employment: subject, tourism. Witness: British Tourist Authority. (Room 20, 4.15 p.m.)

Home Affairs: subject, drugs trafficking. Witness: National Drugs Intelligence Co-ordinator. (Room 15, 4.15 p.m.)

Treasury and Civil Service: subject, official economic statistics. Witnesses: Central Statistical Office and Treasury officials. (Room 18, 4.30 p.m.)

Thursday:

Commons: Debate on Hong Kong and China.

Lords: Debate on defence estimates.

Motions on Army, Air Force and Naval Discipline Acts Continuation Order and Visiting Forces and International Headquarters (Amendment) Order.

Select committees: European Legislation: subject, Community documents on road safety. Witness: Transport Department. (Room 15, 11.30 a.m.)

Friday

Commons: Debate on foreign affairs.

Lords: Employment Bill, second reading.

Trade Fairs and Exhibitions: UK

July 11-13
International Advanced Material & Process Engineering Exhibition and Conference (04868 21231)
NEC, Birmingham

July 14-15
Cash and Carry Fashion Fair (01-727 1929)
Kensington Town Hall

July 16-20
Gift Fair (0282 867153)
Harrogate

July 17-19
Mobile Satellite Communications Exhibition (01-868 4466)
Queen Elizabeth II Conference Centre, London

July 20-23
Antiques and Fine Arts Fair (061-832 6779)
G-Mex Centre, Manchester

July 25-30
British Music Fair (01-730 7852)
Olympia

August 13-17
Gifts Fair (0473 622093)
Hove Town Hall

August 17-20
Antiques Fair (04447 2514)
Kensington Town Hall

September 5-8
International Carpet Fair (021-705 6706)
Exhibition Centre, Harrogate

Overseas Exhibitions

July 18-19
Cologne Fashion Fairs - international Trend Show (01-930 7251)
Cologne

July 25-28
Electronics Products Exhibition - INTERNEPCON/SEMICONDUCTOR (01-948 9900)
Kuala Lumpur

July 27-30
International Furniture Fair & Woodworking Machinery & Furniture Supplies Exhibition (0494 729406)
Bangkok

September3-9
International Autumn Fair (0375 392222)
Leipzig

September 4-9
Show of the Nations Exhibition (01-977 3474)
Vienna

September 13-14
Pre-Press Exhibition (0372 373161)
Copenhagen

September 13-17
International Fisheries Industry exhibition (01-948 9900)
Nantes

Business and management conferences

July 10-11
Financial Times Conferences: Telecommunications and the European business market (01-925 2323)
Hotel Inter-Continental, London

July 11
Hawkamere: Insolvency and the courts – insolvency inspired litigation (01-824 8257)
Cavendish Conference Centre, London

July 11
Fibex: Doing business in France - a comprehensive guide to corporate strategy (01-887 1133)
Le Meridien Hotel, London

July 11-12
Spectra: Developments in streamlining the merchandise flow (0734 320177)
Regent Crest Hotel, London

July 13
LCC: Turkey – Is she on the right track? (01-248 4444)
Cannon Street, London

July 17-18
Frost & Sullivan: Niche marketing – How to identify natural market opportunities (01-730 3438)
London

July 19
I.I.R. Industrial: The second annual conference for FIMBRA members (01-287 8880)
Wembley Conference Centre

July 21
The Royal Institute of International Affairs and the CBI: The single European market - the external implications (01-379 7400)
Centre Point, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

CONSTRUCTION CONTRACTS

Tarmac builds £40m extension

TARMAC CONSTRUCTION is to begin work on a £40m extension to the Richardsons Developments' Merry Hill Centre. The company has been awarded a contract to design and build The Waterfront development at the site, near Dudley, in the West Midlands. The project is scheduled for completion in two years.

Between the recently-formed marina area on the Dudley canal and a proposed leisure complex, the development is a combination of two, three and four-storey offices with shops and restaurants overlooking the canal. Work will include underground parking for about 300 cars, surface parking for 1,500 cars, access roads and landscaping.

Buildings will be of pre-cast concrete frame construction on piled foundations and will be traditionally clad with brick and pitched tiled roofs.

The 440,000 sq ft development will comprise 360,000 sq ft of offices (available in suites from 2,500 sq ft), 60,000 sq ft of specialist shops and 20,000 sq ft of restaurant and catering facilities. Work on the project will be carried out in two phases.

Work on a £22.5m contract for building four two- and three-storey office buildings in Bath Road, Heathrow, started recently and is scheduled for completion at the end of next year.

The buildings, totalling about 8,500 sq metres, will be of reinforced concrete frame construction, clad with brick, and have insulated windows and atria.

Included in the contract, for B.J.C. (Heathrow), is basement parking for about 800 cars, external parking areas, access roads and landscaping.

Other projects include a £2.6m contract for designing and building two three-storey and one five-storey apartment blocks in Harbour Road, Seaton, Devon, for Miledown.

Tarmac Refurb has a £1.1m contract for fitting-out the shell of premises in Colmore Row, Birmingham, for Barclays Bank.

Work on local authority homes includes Biggleswade, Bedfordshire (£2.3m); Street and Coxley, Somerset (£1.4m); Bramley, Leeds (£1.3m); Cheltenham (£1.2m); Oldbury, West Midlands (£863,000) and Knutton, Newcastle-under-Lyme (£603,000).

Mowlem wins £14m stand contract

MOWLEM has been awarded the £14m North Stand contract at Twickenham by the Rugby Football Union.

The three-tier, all-seated stand marks the first stage in the development of a 75,000 all-seated stadium. The 14,500 seater spectator area will be 40 metres high, double the height of the stand it is replacing.

Construction consists of an in-situ concrete terrace, on piled foundations at lower levels, and a composite steel and precast concrete structure above, including two levels of seated tiers. This is covered by a 45 metre-long cantilevered, steel-truss roof – one of the largest in Britain. It will be erected in sections using a 200 tonne crane.

The contract also involves construction of 56 hospitality boxes, as well as the concourse levels.

Other elements comprise all mechanical and electrical services including the installation of three lifts to serve the hospitality boxes and two sets of escalators to the debenture holders area.

The project will be completed in stages with final completion in November 1990 – in time for the Rugby Union World Cup the following year.

Phase 1, the lower terrace, with seating for 6,000, will be ready for use by November this year.

The northern division of Mowlem has won construction and civil engineering works worth over £12m. The largest, worth £1.84m, involves construction of ten, steel-framed, brick-clad office buildings together with external works, at Unit 2, Westwood Business Park, Coventry, for Coventry City Council.

Building an airport in Botswana

ALFRED McALPINE INTERNATIONAL has won a contract worth over £5m from the Botswana Ministry of Works, Transport and Communications to construct an international airport.

Situated on the northern border of Botswana, 3.5km south of Kasane village, it will be constructed to International Civil Aviation Organisation standards and comprise a 2000 metre runway, taxiways, parking aprons and passenger terminal.

Construction will be preceded by site clearance, earthworks and drainage installation and the contract will entail provision of roads, airport service buildings (control tower, fire station, cargo shed and maintenance complex), car parks and landscaping.

The project is scheduled for completion by mid-1991.

Stansted runway aprons

ARC CONSTRUCTION has been awarded a £12m contract to build runway aprons and integrated services at Stansted airport.

The contract, with BAA, is the second phase of paving works at the Essex airport and involves placing 120,000 sq metres of pavement quality concrete and 7,000 sq metres of block paving, supported on a stabilised base, sub-base and lean concrete base.

The work includes drainage, telecommunications, pits and ducts, and 1.2km of fuel main. Bases for the airport's rotundas, link bridges, and stairways are also to be constructed.

The contract is due for completion in 15 months.

Ball-bearing unit

FAIRCLOUGH has two orders worth over £5m. For NSK Bearings Europe, a ball-bearing production unit, with two-storey offices, is to built in Peterlee. Phase 3 in the upgrading of Sedgefield District Council's headquarters in Green Lane, Spennymoor, will refurbish the offices, enhance the reception area, and install new lifts and services.

IN BRIEF...

Offices at Horsham

WILLETT, a Trafalgar House company, has been awarded a £14.2m design and build contract to construct two office buildings on the Horsham business park for Brixton Estate. The three-storey strutures will be supported on mass reinforced concrete bases, with in-situ retaining walls to the basements, and will provide office areas of 64,445 sq ft and 53,500 sq ft. Features include glazed curtain walling, pitched tiled roofs and paved terraces, and foyers with polished marble and granite flooring and mirrored tile walling. Seven lifts will be installed.

TRENTHAM, construction arm of Egerton Trust, has been awarded a contract worth £12.1m by Blegberry for an office development at The Causeway in Staines. The project consists of four hi-tech office units and a separate dock area on the Thames comprising a boatworks, workshop and Sea Scouts building, together with associated car parking and landscaping. Work has started and the agreed contract period is 65 weeks.

★★★

Servite Houses has awarded an £8.3m contract to house 109 elderly people to WATES CONSTRUCTION. Work on the 1.4 acres site at Albert Bridge Road, Battersea, has started. The scheme comprises 66 flats for active and frail elderly people, and a residential home for 30 confused elderly people together with a 60-place day hospital and six flats for key workers.

★★★

TEAM MANAGEMENT & PROJECTS has been awarded a £4m contract by GLE Rosehaugh Developments to build two-storey hi-tech ofices and a factory at Plough Lane, Deptford. Work has started for completion in 44 weeks.

APPOINTMENTS

Stock Exchange deputy chairman

■ Mr Herschel Post has been elected deputy chairman-designate of the INTERNATIONAL STOCK EXCHANGE to succeed Mr Stanislas Yassukovich who is stepping down after the usual three years' service. A graduate of Harvard Law School, Mr Post practised law in New York, and then joined Morgan Guaranty Trust, working in Brussels and London. He is now president and director of Shearson Lehman Global Asset Management and two other subsidiaries of Shearson Lehman Hutton. Mr Post was appointed to the council of the Exchange last November, and is chairman of the international equity market committee.

Mr Ronald Emerson has been appointed general manager of NOMURA BANK INTERNATIONAL's banking division in London. He was previously manager of the London corporate office of Bank of America.

■ ML HOLDINGS has made the following changes. Mr Bill Elms has been appointed business development director of ML Electronic Engineering and Component Distribution. He is succeeded as chief executive of Gothic Crellon by Mr Derek Crook who continues as managing director of Radiatron Components. Mr Derek Coleman becomes managing director of Townsend Coates, and continues as managing director of ML Components.

■ NOBLE & CO, Edinburgh-based issuing house, has appointed Ms Mary Campbell and Ms Jane Karwoski as assistant directors.

■ BALFOUR BEATTY DEVELOPMENTS has appointed Mr Christopher Pearson as commercial director.

■ Provincial Bank has joined BRITISH & COMMONWEALTH MERCHANT BANK (BCMB) group. It was part of the Abaco group in B&C Holdings. Mr Ron Basher, chief executive of Provincial Bank, will join the boards of BCMB group and BCMB. Mr Bruce Ursell, chief executive, and Mr Malcolm Wilde, managing director of BCMB, will join Provincial Bank's board.

■ Mr John B. Tustain has joined the main board of B.S.G. INTERNATIONAL, retaining responsibility for vehicle dealerships, leasing companies and insurance broking companies in the UK and Holland.

■ ALLIED LONDON PROPERTIES has appointed Mr Melvyn Ansher as group managing director. He was chief executive of Berisford Property Group, and a main board director of Berisford International.

■ Mr John D. Eccles, general manager of the Commonwealth Development Corporation, has been appointed a member of the INDUSTRIAL DEVELOPMENT ADVISORY BOARD for two years from June 30. He is chairman of Chamberlin & Hill, and a director of Glynwed International.

■ RELATIONAL TECHNOLOGY INTERNATIONAL has appointed Mr Martin J. Sprinzen as vice president, international operations, based in London.

■ The Harcros Chemical Group, a division of HARRISONS & CROSFIELD, has appointed Mr Kevin Mirner as finance director. He was business planning manager. Dr Dan Swales has become managing director of the inorganics division, and Mr Bernard McAlhone has been appointed managing director of the organics division.

■ Mr Stuart Ottley has been appointed to the main board of HERITAGE. He is managing director of Heritage Housewares.

■ EXEL LOGISTICS has appointed Mr David Walker as sales and marketing director. He was trading director at Grand Metropolitan Retailing, responsible for the Clifton Inns division.

■ A.J. ARCHER & CO has appointed Mr A.A. Pitt as underwriter of managed non-marine syndicate 544. He succeeds Mr D.C. Dolling-Baker who is stepping down through illness but will continue as deputy underwriter.

■ Mr Faisal Ben Khadra has been appointed chairman of LONDON ARAB INVESTMENT BANK.

Preparing demerger

BABCOCK INTERNATIONAL GROUP has appointed two directors in preparation for its demerger from FKI Babcock. Mr Oliver Whitehead *(left)* has been appointed chief executive from August 1. Currently an executive director of AMEC, he was previously a main board director with John Laing. Mr Whitehead has worked in the engineering and construction industries since 1963. Mr Erik Porter *(right)* becomes group finance director. He was group finance director and then managing director of the Laird Group. He has been in the industry since 1966.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	53.16	53.81	57.25	4.79	40000
Gilt & Fixed Int	6	109.8	109.8	116.4	8.59	40001
High Inc Equity	6	133.0	135.8xd	144.5	4.39	40002
Worldwide Bond	6	201.9	201.9	214.0	4.53	40003
Capital Growth						
American Growth	6	181.1	183.2	194.9	0.97	40004
Asian Pacific	6	96.25	98.13	104.40	1.25	40005
Assets & Earnings	6	159.5	163.0	173.5	2.13	40006
Capital Reserve Acc	0	85.68	85.68	85.74	4.67	40007
Comdty & Energy	6	100.8	100.6	107.9	1.76	40008
1992 Enterprise	6	58.09	59.20xd	62.98	2.86	46597
European Capital	6	87.68	88.36	94.01	0.80	40009
General	6	180.0	183.0	194.7	2.31	40010
International	6	46.42	46.71	49.70	1.01	–
Japan	6	109.9	111.6	118.8	0.09	40011
Mastertrust	6	85.79	85.79xd	91.76	1.85	40012
UK Growth Acc	6	202.0	210.0	223.5	1.25	40013
UK Growth Dist	6	134.8	140.1	149.1	1.88	40014
US Emerging Cos	6	52.09	53.76	57.20	0.00	40015
Income & Growth	6	299.1	305.3	324.8	3.16	40016
Ethical	6	49.25	50.41xd	53.63	1.86	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	30.59	30.59	32.65	3.39	40019
European	5¼	66.30	66.38	70.85	0.00	40025
European Income	5¼	64.90	64.90xd	69.28	2.99	41377
Exempt	1	802.6	802.6xd	837.7	2.17	41379
Extra Income	5	43.46	43.46xd	46.39	4.84	40021
F East Emerg Ecns	5¼	45.51	45.71xd	48.95	0.79	41380
Fund Inv Tst	5	123.4	123.4	131.9	2.43	40100
Do Accum	5	192.2	192.2	205.2	2.44	40101
Gilt & Fixed Int	5¼	21.29	21.29xd	22.72	10.[illegible]	40026
Income & Growth	5¼	73.65	73.65xd	78.62	4.09	40029

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

هكذا من الاصل

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init. Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Contrbl & Equity	5	62.94	65.90	70.10	6.78	41599
European	5	67.84	68.28	72.64	0.08	46528
Far Eastern	5	60.09	60.09xd	64.08	0.66	46526
Growth Inc	5	89.40	92.86	98.78	1.40	41600
Growth Acc	5	89.40	92.86	98.78	1.40	–
Income Inc	5	83.59	85.48	90.94	4.70	41601
Income Acc	5	83.59	85.48	90.94	4.70	–
Property Share	5	54.84	54.84	58.46	0.99	40402
Smaller Co's	5	59.28	62.52	66.50	1.44	40403
Nth American	5	61.06	61.06xd	65.30	1.63	40209
International	5	47.41	47.41xd	50.70	1.45	40210
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY						01-588 0592
Growth	5	108.79	108.79xd	113.79	4.18	41604
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bridge, Huddersfield						0484 602250
Yorkshire General	5¼	63.88	66.40xd	70.64	2.57	41605
YUTM UK Eqty Inc Tst	5¼	60.54	62.65	66.65	4.50	41606
YUTM Intl Grwth Tst	5¼	50.24	50.24	53.61	1.02	41195

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Expt June 7	485.3	505.8		–1	40105
Cent. Bd. of Fin. of Church of England					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Inv Fund June 30		318.35		4.73	40251
Fxd Int Sec June 30		138.65		10.31	40252
Deposit June 30		100.00		13.05	40253
Clerinco/Charishare (1000)F					
33 King William Street, EC4R 9AS					01-280 2800
C'inco Inc July 5	164.0	168.1		9.95	40254
C'inco Acc July 5	672.9	689.8		9.95	40255
C'share Inc July 5	151.4	156.9		3.70	40256
C'share Acc July 5	166.4	172.5		3.70	40257
Charities Official Invest. Fund					
2 Fore Street, London EC2Y 5AQ					01-588 1815
Income June 30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	88½	11.80	1.12	1Jan 1Jul	–
–	S Rhod 2½pc Non-Asstd.	296	–	–	1Apr 1Oct	–
4	Do. 4½pc 87–92 Asstd.	84½	9.33	9.1	7Feb 7Aug	–

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	Nat'wide Anglia 10⅝pc 17.7.89	99⅞	14.02	12.12	11Jan 17Jly	–
20	Do. 11⅛pc 7.8.89	99	14.19	3.1	1Feb 7Aug	–
20	Do. 11⅜pc 29.8.89	99	14.19	–	2Feb 29Aug	–
20	Do. 12¼pc 18.9.89	99	14.18	10.2	12Mar 18Sep	–
20	Do. 12⅛pc 2.10.89	99⅛	14.17	27.2	20Mar 2Oct	–
20	Do. 11⅞pc 6.11.89	98	14.32	31.3	30Apr 6Nov	–
20	Do. 12⅝pc 4.12.89	99⅛	14.28	28.4	29May 4Dec	–
20	Do. 12⅞pc 2.1.90	99	14.29	30.5	2Jan 28Jun	–
20	Do. 12⅞pc 29.1.90	99	14.27	23.6	29Jan 23Jly	–
–	Do. 12⅞pc 26.2.90	98	14.29	–	26Feb 20Aug	–
–	Do. 12⅝pc 19.3.90	98	14.25	–	–	–
60	Do. 3⅞pcIL Ln 2021	102	4.45	22.6	30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
25	Met. Wtr. 3pc 'B'	46	10.41	1.2	1Mar 15Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass	48	3.50	8.75	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	40	3	7.50	1.2	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	40	2	5.00	3.4	1Apr 1Oct	2761

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
181.8	Cullinet Sftwr 1c	553p	—	—	—	—	—
1,117.3	Dana Corp. $1	24	$1.60	4.1	30.5	Mr Jn Se De	2306
296.6	Data General	10¼	—	—	—	—	—
6,502.9	Dun & Bradstreet $1	35	$2.00	3.6	13.2	Mr Jn Sp Dc	—
1,571.1	Eaton Corpn. 50c	36½	$2.00	3.4	1.2	F My Au N	2410
619.8	Echlin Inc	10	70c	4.2	30.6	JanAprJulOct	—
2,537.4	FPL Group 1c	19	$2.28	7.5	23.11	MrJnSepDec	—
15,557.2	Ford Motor $1	29	$3.00	6.4	27.4	Mar Jun S D	2615
858.7	GATX 62½c	45	$2.00	2.8	12.6	Mar Jun S D	2662
29,428	Gen. Elect. 63c	32	$1.64	3.2	7.6	Ja Ap Je Oc	2675
—	General Host Corp $1	499p	30c	3.9	13.12	—	—
2,883.8	Gillette $1	24¾	96c	2.4	27.1	Mar Jun S D	2695
252.8	Gt Am First Svgs Bk $1	771p	60c	4.9	22.10	Fb My Au N	—
794.3	Greyhound $1½	20½	$1.32	4.1	30.5	Ja Ap Jy Oc	2778
673.4	Hasbro Inc 50c	12¼	16c	0.8	2.5	Ja My Au Nv	—
1,977.7	Honeywell $1½	45½	$2.10	2.9	23.5	Mar Jun S D	2919
2,342.1	Houston Inds.	19¾	$2.96	9.5	10.11	Mr Jn Se De	—
41,122.8	IBM Corpn $1¼	68⅞	$4.84	4.4	5.5	Mar Jun S D	2986
1.17	Image Storage/Ret.Sys.1c	55p	—	—	—	—	2961
1,352.1	Ingersoll-Rand $2	25⅝	$1.20	3.0	16.5	Mar Jun S D	2979
1,935.7	Lockheed Crpn. $1	29½	$1.60	3.4	15.2	Mar Jun S D	—
316.6	Lone Star Inds $1	19	$1.90	6.3	12.6	May Au N Mar	3216
725.1	Louisiana Land 15c	23⅛	$1.00	2.7	25.5	Mar Jun S D	3222
619.2	Lowe's 50c	15½	48c	1.9	9.1	Jan Ap Jly Oc	—
1,092.4	Manuf. Hanover $1	22¼	$3.28	9.1	26.6	Jan Ap Jly Oc	3279
1,888.2	Merrill Lynch $1	17¾	$1.00	3.5	31.10	Feb My Au N	3351
509.0	Molex Inc	2006p	3.2c	—	—	—	3397
4,211.3	Morgan (JP) $2½	23½	$1.66	4.5	21.12	Jan Ap Jly O	3418
10,527.0	NYNEX $1	49½	$4.36	5.6	27.6	F May Au N	—
368.7	PHH Corp.	22	$1.12	3.2	4.4	Ja Ap Jy Oct	—
—	Pacific Agr	218p	—	—	—	—	—
1,739.4	Pacificorp $3¼	25	$2.76	6.7	19.4	Feb My Ag Nv	—
10,817.6	Pacific Telesis 10c	25½	$1.88	4.7	12.85	Fe My Au No	—
712.3	Pall Corp. 25c	19¼	48c	1.6	24.1	Fe My Au No	—

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

صحكام الاصل

LONDON SHARE SERVICE

INSURANCES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
13.2	Saltire Ins. Invs.	88	2.31	3.6	22.5	June	3907
855.0	Sedgwick Group 10p	246	12.0	6.5	13.3	April Oct.	3988
67.8	Steel Burrill J.10p	234	10.0	5.6	3.4	May Oct	4107
133.1	Sturge Hldgs 20p	261	F15.0	7.8	30.1	Mar Sept	4130
2,169.9	Sun Alliance Grp	275	10.25	5.0	22.5	Jly Dec	4134
654.2	Sun Life 5p	1103	38.69	4.7	3.4	May Nov.	4136
4,956	Taisho M EDR	£61	Q10%	0.7	25.3	April	4165
1,337.0	Torchmark $1.00	£23¾	Q$1.20	2.7	6.4	Fb My Au Nv	—
181.2	Trade Indemnity Grp.	166	1.4	1.1	3.4	—	4286
2,587.6	Travelers $1.25	£25½	$2.40	6.0	25.4	Ma Ju Se De	4296
1,515.6	USF & G Corp $2.50	£19⅝	Q$2.80	8.9	19.12	Ap Au Ja	—
513.9	USLIFE Corp. $1.0	£27¼	Q$1.40	3.3	10.2	Mr Ju Se Dc	—
115.4	Wind Friendly B 10p	740	31.25	5.6	8.5	June Nov	4373
539.6	Willis Faber 12½p	229	11.46	6.7	17.4	Jul Nov	4513
11.1	Windsor 10p	42	—	—	1.88	—	4521

LEISURE

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.36	A & M Group 10p	7	—	—	—	—	1490
241.4	Do 10pc Cv Uns. Ln 1998	£77½	10%	17.2	16.1	January	5057
28.6	Airtours 10p	163	†6.25	5.1	3.7	Feb July	1540
117.8	Anglia TV	272	†7.75	3.8	3.7	Aug Jan.	1611
64.1	Aresco 1p	150	g1.13	1.0	3.7	October	1710
7.00	BCE Hldgs 5p	25	d1.0	5.3	30.1	Sept Mar	1719
18.1	Barr & W.A.T. 'A'	365	15.0	5.5	22.5	Oct July	1764
—	Bond Media	12	Q2c	8.0	—	—	4832
20.4	Boosey & Hawkes	520	10.0	2.6	19.6	Jul Jan	1873
4.96	Border T.V.	49	†1.7	4.6	28.12	Oct Feb	1878
199.2	Brent Walker 10p	383	11.0	3.8	22.5	July Jan	1945
143.5	Do 6pc Cv.Cm.Rd.Pf	109	6.0	7.3	22.5	Jan July	1944
29.5	Campari Int. 20p	287	8.5	3.9	13.3	Oct May	2048
130.1	Capital Radio 10p	797	†10.0	1.7	22.5	Jan July	2068

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
90.3	North Sea Gas	39	1.0	3.4	17.4	Oct Jan	3529

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.12	Ayer Hitam SM1	45	sQ53.3c	‡	9.3	Apr. Nov.	2714
12.0	Gopeng Berhad M$0.50	75	Q10c	3.3	13.3	—	2736
309.3	Malaysia Mng. 10c	74	Q5c	1.6	17.4	Dec Aug	3272
18.2	Petaling SM1	180	Q87c	11.6	5.6	Dec July	3644
4.27	Sungei Besi SM1	129	Q70c	13.5	12.12	August	4140

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Ignore unemployment at your peril

LOOK CAREFULLY at the June UK unemployment figures on Thursday says Mr Roger Bootle, chief UK economist at Midland Montagu. The market is likely to ignore this data, warns Mr Bootle, but will do so at its peril. He points out that the last rise in bank base rates - on May 24 - followed a fall of 65,000 in April seasonally adjusted adult unemployment and the market will be unwise not to consider the implications of another decline.

Midland Montagu's forecast for the fall in June unemployment is 40,000, while the rest of the market is looking for a figure of around 30,000 to 35,000, against a fall of 22,800 in May. Mr Bootle adds that the market should re-adopt the discarded habit of seeing wages as the central issue in the UK economy. The tightness of the labour market, with many skills in short supply, are forcing employers to concentrate on recruitment and retention. At the same time employees' demands rise in an attempt to keep wages ahead of inflation.

The supply of young workers is drying up and as the large employers fight to hold on to their skilled workers this will inevitably intensify upward pressure on pay.

Thursday's figure that the market is likely to concentrate on is the underlying level of average earnings. There is an almost universal expectation in the City that May average earnings will rise 9½ per cent, compared with 9¼ per cent in April.

Demographic factors - which in this case mean the drift to the south-east of the labour force - are also likely to discourage employers from laying off large numbers of workers in other areas. Accordingly, it is difficult to see a significant loosening of the labour market. This will put pressure on wages and unit labour costs.

UK new car sales rose 8.29 per cent in the first half of 1989, to a record level, with Ford holding a dominant 27.31 per cent of the market. The Ford pay settlement in November is traditionally a pace setter for the UK labour market and will be crucial, according to Mr Bootle. He believes the rate of increase in average earnings could reach 11 per cent by the end of the year, before falling back to 9½ per cent in the second half of 1990.

If growth in average earnings and constraints in the labour market do become the main factors limiting the ability of the authorities to reduce inflation fears of higher bank base rates will increase.

Midland Montagu does not expect an immediate rise in base rates, even if the unemployment data and average earnings figures do cause concern. Other City institutions tend to hold the same view, but continue to see the risk in base rates on the upside, until there are signs that UK inflation is falling.

Forecasts for Friday's figures on UK retail prices centre on a June rise of 0.5 per cent, taking the annual inflation rate up to 8.4 per cent from 8.3 per cent, but this should not cause any great alarm, even if the year-on-year rate is as high as the 8.5 per cent forecast by Chase Investment Bank; Swiss Bank Corporation; Prudential-Bache; and ANZ McCaughan.

Sterling performed well last week, rising against the dollar and D-Mark. The pound's exchange rate index gained 1.7 to 92.0, the highest level for about one month. Nervousness is certain to increase however as we move into the concentrated period of economic news later in the month. June UK trade figures on July 26 will be the crucial point for sterling, but in the meantime it may be unwise to ignore the trend in unemployment as a pointer to future inflation.

Colin Millham

£ IN NEW YORK

July.7	Close	Previous Close
£ Spot	1.6285-1.6205	1.6275-1.6285
1 month	0.62-0.61pm	0.62-0.61pm
3 months	1.92-1.90pm	1.86-1.84pm
12 months	7.50-7.30pm	7.15-7.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July.7	Previous
8.30 am	91.9	91.8
9.00 am	91.9	91.8
10.00 am	91.9	91.8
11.00 am	91.9	91.9
Noon	91.9	91.9
1.00 pm	91.9	91.9
2.00 pm	92.1	91.9
3.00 pm	91.8	92.0
4.00 pm	92.0	91.9

CURRENCY RATES

July.7	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.27101	1.47780
U.S Dollar	7	1.27473	1.09757
Canadian $	12.39	1.51935	1.30787
Austrian Sch.	5	14.9590	14.5868
Belgian Franc	7.75	50.4283	43.3597
Danish Krone	7½	9.35652	8.04413
Deutsche Mark	5.00	2.40975	2.07090
Neth.Guilder	5.50	2.71454	2.33432
French Franc	9½	8.17102	7.02338
Italian Lira	13½	1745.11	1502.25
Japanese Yen	2½	176.168	153.221
Norway Krone	8	8.83260	7.61168
Spanish Peseta	-	152.040	130.172
Swedish Krona	9½	8.22902	7.08046
Swiss Franc	5.5	2.06634	1.78136
Greek Drach.	20½	208.036	178.817
Irish Punt	-	N/A	0.775726

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for July.6

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

July.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¾-13⅝	13¾-13⅝	13⅞-13¾	14-13⅞	14-13⅞	13⅞-13⅞
US Dollar	9⅜-9¼	9⅜-9¼	9¼-9⅛	9⅛-9	8⅞-8¾	8¾-8⅝
Can. Dollar	12-11¾	11⅞-11⅝	12-11¾	12-11¾	11⅞-11⅞	11⅞-10⅞
D. Guilder	7-6⅞	7-6⅞	7-6⅞	7⅛-7	7⅜-7¼	7¼-7⅛
Sw. Franc	6⅞-6¾	6⅞-6¾	7⅛-7⅛	7⅛-7⅛	7-6⅞	6⅞-6⅞
Deutschmark	6⅞-6¾	6⅞-6¾	6⅞-6⅞	6⅞-6⅞	7-6⅞	7⅛-6⅞
Fr. Franc	8⅞-8⅝	8⅞-8⅞	9¼-9	9⅛-9⅛	9¼-9⅛	9¼-9⅛
Italian Lire	11-9	12-11	12¼-11¾	12¼-11¾	12¼-11¾	12¼-12
B. Fr. (Fin)	8⅝-8½	8½-8⅝	8⅞-8⅞	8⅞-8⅞	8½-8⅝	8⅞-8⅞
B. Fr. (Con.)	9-8⅝	8¾-8⅝	8⅝-8¾	8⅝-8¾	8⅝-8¾	8⅞-8⅞

EXCHANGE CROSS RATES

MONEY MARKETS

Pressure on world rates eases

PRESSURE ON world interest rates eased last week. The Bank of Spain raised its money market intervention rate, but this was a reaction to the previous week's increase in other European rates.

The US Federal Reserve drained liquidity from the New York banking system on Friday, when Federal funds were trading at 9¼ per cent, but on Thursday the Fed did not act when Federal funds fell to 9⅜ per cent, creating the impression that the US authorities had eased their monetary stance. June US employment data on Friday were too confusing to form any firm conclusions - the rise in May non-farm payrolls was adjusted up to 207,000 from 101,000. Nevertheless the market drew comfort from the fact that the rise in June payrolls of 180,000 was less than most forecasts and that the US unemployment rate rose to 5.3 per cent from 5.2 per cent.

UK clearing bank base lending rate 14 per cent from May 24

If the Fed is adopting a slightly easier stance it also appears the West German Bundesbank has tightened enough for the time being. The Bundesbank added a net DM6.5bn at last week's securities repurchase agreement tender. This was taken as an indication that the German central bank wishes to keep call money below the 7 per cent Lombard emergency funding rate.

Action by the Bank of Japan, in its money market operations last week, suggested it was maintaining a neutral stance on interest rates while the dollar was under Y140.

Against this background three-month sterling interbank hovered around 14 per cent, underpinning the present level of UK bank base rates.

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY JULY 7 1989 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY JULY 6 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (86)	133.95	−7.3	122.25	116.35	+3.4	5.12	133.60	122.11	115.78	157.12	128.28	145.80
Austria (19)	125.89	+31.2	114.90	123.29	+39.1	1.96	126.01	115.18	123.68	128.01	92.84	86.16
Belgium (63)	132.63	−1.8	121.04	129.03	+3.7	4.24	131.68	120.36	128.60	137.10	125.58	117.76
Canada (124)	142.41	+13.4	129.97	122.81	+13.2	3.28	141.46	129.30	122.05	142.41	124.67	128.00
Denmark (38)	211.89	+24.4	193.38	210.88	+32.7	1.60	211.76	193.56	211.40	211.89	165.35	129.46
Finland (26)	143.33	+9.5	130.81	128.14	+12.1	1.64	142.22	129.99	127.35	159.16	125.81	128.87
France (128)	123.52	+7.4	112.73	123.86	+13.3	3.06	123.64	113.01	124.27	123.64	112.57	97.88
West Germany (100)	93.82	+6.7	85.63	91.90	+13.3	2.21	92.49	84.54	90.93	93.82	79.56	77.83
Hong Kong (49)	98.39	−12.0	89.79	98.46	−12.1	5.43	98.73	90.25	98.84	140.33	86.41	110.99
Ireland (17)	139.61	+5.9	127.42	138.68	+12.4	3.04	138.86	126.92	138.22	151.36	125.00	136.53
Italy (97)	88.35	+3.8	80.63	90.33	+8.8	2.46	87.10	79.61	89.05	88.35	74.97	70.65
Japan (455)	180.54	−5.7	164.77	159.48	+5.4	0.50	179.66	164.22	158.25	200.11	164.22	163.73
Malaysia (36)	187.66	+30.8	171.27	193.88	+29.5	2.47	184.93	169.04	191.20	187.66	143.35	145.05
Mexico (13)	260.24	+60.8	237.50	711.47	+75.8	0.71	256.89	234.81	689.53	271.98	153.32	167.87
Netherland (43)	122.69	+9.1	111.98	118.97	+15.8	4.35	121.65	111.19	118.26	122.69	110.63	105.27
New Zealand (22)	65.83	−2.6	60.08	60.89	+6.9	6.12	66.26	60.57	60.77	76.02	62.64	79.82
Norway (26)	186.94	+34.6	170.61	175.84	+42.0	1.45	187.27	171.17	176.21	198.39	139.92	120.45
Singapore (26)	162.48	+29.9	148.29	146.35	+30.6	1.89	159.93	146.19	144.53	162.48	124.57	122.91
South Africa (60)	151.95	+30.0	138.67	133.93	+36.3	4.00	152.07	139.00	133.77	153.21	115.35	127.06
Spain (43)	152.17	+2.5	138.88	136.38	+7.1	3.76	151.36	138.35	136.63	156.17	143.14	150.46
Sweden (35)	172.90	+19.6	157.80	165.10	+25.9	2.08	171.34	156.61	163.66	172.90	138.45	118.95
Switzerland (57)	84.32	+8.0	76.96	84.69	+16.4	2.27	83.93	76.72	84.40	84.71	67.81	80.66
United Kingdom (312)	147.16	+8.8	134.30	134.30	+21.1	4.37	145.22	132.73	132.73	153.33	133.28	132.93
USA (555)	132.39	+17.0	120.82	132.39	+17.0	3.41	131.05	119.78	131.05	133.83	112.13	110.28
Europe (1004)	123.60	+7.8	112.81	117.34	+16.7	3.51	122.38	111.84	116.41	123.60	112.65	107.01
Nordic (125)	169.56	+21.4	154.74	157.80	+28.1	1.80	168.75	154.24	157.28	169.56	137.95	114.31
Pacific Basin (674)	175.70	−5.7	160.35	155.58	+5.1	0.73	174.88	159.84	154.42	194.72	160.44	160.85
Euro−Pacific (1678)	154.95	−1.7	141.42	140.24	+8.5	1.64	153.95	140.72	139.18	164.22	141.56	139.34
North America (679)	132.89	+16.7	121.28	131.80	+16.7	3.40	131.57	120.26	130.50	134.17	112.79	111.23
Europe Ex. UK (692)	108.65	+6.9	99.15	106.85	+13.2	2.86	107.81	98.54	106.32	108.65	96.30	90.88
Pacific Ex. Japan (219)	117.82	−5.4	107.53	106.91	+0.2	4.90	117.60	107.49	106.56	137.65	111.93	126.20
World Ex. US (1875)	154.55	−1.0	141.05	139.81	+8.9	1.71	153.56	140.36	138.76	162.77	141.49	138.85
World Ex. UK (2118)	145.46	+3.8	132.76	137.56	+10.5	2.05	144.44	132.02	136.46	146.04	136.98	127.28
World Ex. So. Af. (2370)	145.56	+4.1	132.85	137.27	+11.3	2.25	144.45	132.03	136.11	146.65	136.67	127.77
World Ex. Japan (1975)	129.10	+12.6	117.82	125.90	+16.2	3.50	127.87	116.88	124.79	129.10	114.51	110.54
The World Index (2430)	145.60	+4.3	132.88	137.24	+11.4	2.26	144.49	132.07	136.09	146.51	136.68	127.77

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CONSTITUENT CHANGES: Deletions:UEI (3/7/89) and Magnet Group (4/7/89)(both UK).Name changes:Hussel Hldgs.to Douglas Hldgs. (6/7/89)(Germany) and Morton Thiokol to Thiokol Corp.(7/7/89)(US).

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 53,999

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	14	City Merchants Bank	14	Mount Banking	14
Adam & Company	14	Clydesdale Bank	14	Nat Bk. of Kuwait	14
AAB - Allied Arab Bk	14	Comm. Bk.N.East	14	NatWestminster	14
Allied Irish Bank	14	Co-operative Bank	*14	Northern Bank Ltd	14
● Henry Ansbacher	14	Coutts & Co	14	Norwich Gen. Trust	14
Associates Cap Corp	14	Cyprus Popular Bk	14	PRIVATbanken Limited	14
Authority Bank	14	Dunbar Bank PLC	14	Provincial Bank PLC	15
● B & C Merchant Bank	14	Duncan Lawrie	14	R. Raphael & Sons	14
Bank of Baroda	14	Equatorial Bank plc	14	Roxburghe G'rantee	14½
Banco Bilbao Vizcaya	14	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
Bank Hapoalim	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank Credit & Comm	14	First National Bank Plc.	15	● Smith & Williamson Secs.	14
Bank of Cyprus	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Ireland	14	Robert Fraser & Ptrs.	14½	TSB	14
Bank of India	14	Girobank	14	United Bk of Kuwait	14
Bank of Scotland	14	● Guinness Mahon	14	United Mizrahi Bank	14
Banque Belge Ltd	14	HFC Bank plc	14	Unity Trust Bank Plc	14
Barclays Bank	14	● Hambros Bank	14	Western Trust	14
Benchmark Bank PLC	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	14
Berliner Bank AG	14	● Hill Samuel	§14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
Business Mtge Tst	14½	● Leopold Joseph & Sons	14		
Cl. Bank Nederland	14	Lloyds Bank	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	Midland Bank	14		

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JOTTER PAD

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

CROSSWORD

No.6,981 Set by DANTE

ACROSS

1 and 5 A second celebrity? (3,2,3,6)
9 and 10 If it gives us fresh vitality if we see one fall out (3,5,2,4)
12 Teach badly - and the pupils may have to (5)
13 Old prime minister is putting on weight (9)
14 Unusual dish we longed for (6)
16 and 19 Maybe CO tried a threat to warn revolting types (4,3,4,3)
21 Composer from Harlem (6)
23 and 25 Began well in a dart game - stood out (4,1,4,5)
26 and 27 Surprised and arrested girl with the goods (6,8)
28 Got up smartly (6)
29 Their fancies rarely last (8)

DOWN

1 Threaten to give me the cape, perhaps (6)
2 About ten we come in upset and in a state (3,6)
3 Pickwick's speedy imprisonment (5)
4 Save your money, mate! (7)
6 A composer frequently, we hear, followed by another (9)
7 Law and order (5)
8 Hastened out to see some mountains (3,5)
11 Outright order for a European banker (4)
15 Problems of pain (9)
17 Reference book shows the Zodiac sign he's in (9)
18 Showed annoyance in grating nutmeg? (8)
20 Double figures (4)
21 She may sing well - and moan badly (7)
22 Assist in stoppage (6)
24 Put out a plea for employment (5)
25 Joined in a Chinese wedding ceremony (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 22.

هكذا من الاصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices July 7

MONTREAL
Closing prices July 7

INDICES

NEW YORK DOW JONES

	July 7	July 6	July 5	July 3	1989 High	1989 Low	Since compilation High	Since compilation Low
ϕIndustrials	2487.86	2462.44	2456.56	2452.77	2531.87 (23/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.63	92.54	92.26	92.37	92.63 (7/7)	87.35 (23/3)	-	-
Transport	1200.84	1179.82	1170.44	1164.46	1200.84 (7/7)	959.95 (3/1)	1192.59 (27/6/89)	12.32 (8/7/32)
Utilities	212.02	210.32	209.88	210.07	212.02 (7/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2503.22 (2475.53) Low 2456.56 (2446.51)

STANDARD AND POOR'S	July 7	July 6	July 5	July 3	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	324.91	321.55	320.64	319.23	328.44 (27/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	370.87	367.19	366.17	364.82	375.71 (27/6)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.09	30.75	30.68	30.34	31.15 (27/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	181.56	179.82	179.25	178.51	183.18 (27/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	363.75	361.11	359.12	358.83	366.43 (27/6)	305.24 (3/1)	366.43 (27/6/89)	29.31 (9/12/72)
NASDAQ OTC Comp	442.42	439.57	436.94	436.00	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 30	Jun 23	Jun 16	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.57	3.59	3.50
	July 5	June 28	June 21	year ago (approx.)
S & P Industrial div. yield	3.06	3.00	3.05	3.03
S & P Indl. P/E ratio	13.47	13.72	13.48	14.42

TRADING ACTIVITY †Volume Millions

	July 7	July 6	July 5
New York	166.430	138.667	127.700
Amex	11.616	9.977	10.258
OTC	120.314	118.053	94.518

NEW YORK	July 7	July 6	July 5
Issues Traded	1,976	1,972	1,939
Rises	1,065	950	879
Falls	467	522	552
Unchanged	444	500	508
New Highs	135	85	67
New Lows	18	16	13

CANADA

TORONTO	July 7	July 6	July 5	July 4	1989 High	1989 Low
Metals & Minerals	(u)	3260.8	3273.7	3263.3	3564.9 (6/2)	3207.5 (3/1)
Composite	3802.1	3776.5	3772.3	3756.4	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	(u)	1896.73	1897.07	1892.34	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
AT&T	2,280,700	35⅝	+ ½
UAL Corp	1,893,500	166	+13½
Panhandle	1,648,000	25¼	+ ⅝
Union Carbide	1,631,580	27	+ ⅛
Warner Comm	1,408,900	61⅞	---
Honeywell	1,233,800	77¼	+ 4⅞
USX corp	1,228,700	35⅛	+ ⅛
IBM	1,215,600	112⅛	+ ⅛
Texaco	1,205,700	52	+ ⅛
Gen Motors	1,194,500	40⅛	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 7	July 6	July 5	July 4	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1527.5	1519.5	1513.4	1504.6	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	705.8	695.0	685.4	680.8	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	357.53	357.71	355.14	353.89	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6173.96	6157.51	6153.55	6167.26	6173.96 (7/7)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	346.81	347.43	344.22	340.35	347.43 (6/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	763.3	763.3	765.3	768.5	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	481.4	482.0	482.5	480.0	491.00 (26/6)	417.90 (4/1)
Ind. Tendance (30/12/88)	112.7	113.0	113.3	113.3	114.6 (26/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	623.30	615.81	620.20	626.70	626.70 (4/7)	535.78 (27/2)
Commerzbank (1/12/53)	1854.1	1830.2	1844.1	1864.0	1864.0 (4/7)	1595.7 (27/2)
DAX (30/12/87)	1510.63	1493.29	1495.75	1505.67	1510.63 (7/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2375.94	2369.53	2350.67	2316.74	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	656.12	647.79	645.47	649.16	656.12 (7/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33703.97	33423.48	33309.71	33190.9	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2507.29	2489.31	2478.02	2469.55	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen. (End 1983)	248.2	246.7	246.6	248.8	253.5 (28/6)	208.3 (3/1)
CBS All Shr (End 1983)	193.2	192.0	192.0	193.7	197.4 (28/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	642.03	640.48	635.28	632.18	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1335.69	1318.56	1305.01	1303.83	1335.69 (7/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1632.04	1631.0	1610.0	1587.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2650.04	2651.0	2640.0	2621.0	2651.0 (6/7)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	302.45	303.46	305.06	306.84	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4269.0	4233.2	4286.1	4186.1	4286.1 (5/7)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	748.9	750.0	759.5	755.7	759.5 (5/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	511.4	507.4	502.4	519.0 (17/2)	487.6 (13/6)

ϕ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

AMEX COMPOSITE PRICES

4pm prices
July 7

TOKYO - Most Active Stocks
Friday July 7 1989

4pm prices July 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32⅛	21¼	AAR	.44	1.6	20	324	30	29½	29⅝	
10⅛	8⅝	ACM n	1.01	11.		x261	9⅝	9⅛	9⅝	+ ⅛
11⅞	10¼	ACMIn	1.26a	11.		763	11½	11⅜	11⅜	
10⅛	8½	ACM M	n1.01	11.		x255	9⅞	9⅝	9⅞	
11⅞	10	ACM Sc	1.26	11.		949	u11½	11⅛	11½	+ ⅜
9⅝	8⅛	ACMSp	1.01	11.		488	9⅝	9⅛	9⅝	+ ⅛
17¼	10⅞	AL Lab	.12	.7	18	70	16⅞	16⅝	16⅞	
4⅛	3⅛	AMCA	.12e	3.1	28	3	3⅞	3⅞	3⅞	
6⅛	4½	AM Intl				918	5⅛	5	5	
23½	20	AM In pf	2	9.4		20	21⅛	20⅞	21⅛	+ ⅝
68½	40⅞	AMR			8	7996	65⅞	64¼	64⅞	+ ⅜
27	25	ANR pf	2.67	10.		4	25⅞	25⅞	25⅞	+ ⅛
8⅞	3⅝	ARX				498	4⅛	4⅛	4⅛	+ ⅛
48⅝	35⅛	ASA	3a	7.1		263	43⅛	42⅞	42½	– ⅝
22⅞	15⅛	AVX	.24	1.2	9	225	20⅛	19⅞	20	+ ⅛
61⅛	43½	AbtLab	1.40	2.3	17	4011	60	59⅛	59⅞	+ ⅝
18⅞	15¼	AbitiBl g	1			86	15⅞	15⅛	15⅛	– ⅜
13	7½	AcmeC	.40	3.4		176	11⅞	11⅛	11⅞	
8	5⅞	AcmeE	.32	4.1	18	4	7⅞	7⅞	7⅞	+ ⅛
34⅛	20⅞	Acuen			24	180	31½	31	31	– ⅞
16⅞	14⅛	AdaEx	1.82e	12.		174	15½	15⅛	15⅜	+ ⅛
18⅝	7⅛	AMD				2490	10⅛	9⅞	10	
43¼	28⅝	AMD pf	3	9.2		7	32⅞	32⅝	32⅝	– ⅛
11⅝	6½	Adobe				731	11⅞	11⅝	11⅝	– ⅛
18⅞	16½	Adob pf	1.84	9.6		48	u19⅛	18⅝	19⅛	+ ⅝
21⅛	19⅞	Adob pf	2.40	11.		5	21⅛	21	21⅛	
9⅞	6⅝	Advest	.12	1.8	16	21	6⅞	6⅝	6⅞	
67	43½	AetnLf	2.76	4.7	9	3529	u59⅛	58⅛	58⅞	+ 1⅛
14	12⅝	AflPb				1076	13⅛	13⅛	13⅛	+ ⅛
23⅛	14⅝	Ahmans	.88	3.9	10	5506	22½	22	22½	+ ⅜
4⅝	2⅛	Aileen				22	2⅞	2⅝	2⅝	– ⅛
62⅛	37⅛	AirPrd	1.32	3.2	10	3052	41½	40⅞	41	– ⅜
29⅛	15½	AirbFrt	.60	2.1	28	181	28⅞	28⅜	28⅞	+ ½
24½	13⅞	Airgas			13	303	21½	21	21⅛	+ ⅜
20⅝	17⅞	Alrieson	2.40	12.	9	42	19⅞	19⅛	19⅞	– ⅛
26	21½	AlaP	pf2.13e	9.7		205	22⅛	21⅞	21⅞	– ⅛
10	8½	AlaP	dpf.87	8.9		184	9⅞	9⅛	9⅞	– ⅛

Continued on Page 29

صكذا من الاصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
17⅞	14⅛	PrMLtd	2.04	14.	16	38	15	14⅞	14⅞	
28	20¼	Primca	.28	1.2	6	2335	23	22½	22⅝	+ ⅛
114½	71⅝	ProctG	3.20	2.9	16	3481	111½	108⅞	111	+2¼
23⅛	14⅝	PrdRs	.48	1.9	23	1722	u25⅞	22½	25½	+2⅞
33¾	21⅝	ProgCp	.44	1.5	8	1945	29⅜	29½	29¾	+ ⅛
76½	52½	Prolgr	1.56	2.2	6	11	70	69½	70	+ ½
10⅝	9¼	PrTAm	.84	8.2	17	47	10⅛	10¼	10¼	
10⅛	8½	ProsSt	n1.44	16.		264	9⅛	9	9⅛	+ ⅛
9⅞	8¼	Pruint	1.02	11.		814	9¼	9	9	
1½	1⅛	PruRtC			4	34	1⅜	1¼	1⅜	
6¾	6	PruPtl	.66	10.		10	6⅝	6½	6⅝	+ ⅛
9½	8⅛	PruStr	1.05a	12.		1197	8⅝	8⅝	8⅝	+ ⅛
23⅝	19½	PSvCol	2	8.4	13	907	u23¾	23½	23¾	+ ¼
75⅛	68¾	PSCol pf7.15		9.7		z100	74	74	74	−1⅛
13⅝	10½	PSIn pfB1.04		7.7		z200	13½	13½	13½	
93	81	PSIn pfG8.38		9.2		z50	91½	91½	91½	+1
6½	3½	vjPSNH			10	685	4⅛	3⅞	4	
14⅞	6	vjPNH pfB				17	10⅞	10⅝	10⅞	− ⅛
16	6⅛	vjPNH pfE				19	11½	11⅛	11½	− ¼
15¼	6¼	vjPNH pfF				14	10⅞	10½	10⅞	− ⅛
15¼	6½	vjPNH pfG				31	11½	11⅛	11⅛	− ⅜
15⅞	10¼	PSvNM	.38j			2545	15⅞	15¼	15½	+ ¼
27½	22	PSEG	2.04	7.6	10	3875	27	26½	27	+ ⅜
47	40¼	PSEG pf4.08		8.9		123	46	45¾	45¾	−1¼
87	80	PSEG pf8.16		9.2		z100	u88½	88	88½	+1½
76	66½	PSEG pf6.80		9.1		z300	75	75	75	+1
84⅞	75	PSEG pf7.70		9.2		z50	83⅞	83⅞	83⅞	+ ⅛
85½	75⅜	PSEG pf7.80		9.1		z200	85½	85½	85½	+ ⅛
84	77⅞	PSEG pf8.08		9.5		z110	u85	85¼	85	+1⅞
83½	72¼	PSEG pf7.40		8.8		z80	u84	84	84	+1
3⅝	1¼	Publick				51	2⅞	2⅝	2⅞	+ ⅛
[illegible]										

OVER-THE-COUNTER

Nasdaq national market, 4pm prices July 7

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

The Business Column

Standard bearers set a bad example

Ask the chief executive of any information technology company to identify the most significant trend in the computer industry over the past few years and the chances are the answer will be "The customer has become king" or some such phrase.

The implication is that after 30 years of tacitly accepting what suppliers were prepared to offer in terms of hardware and software, customers are demanding – and getting – different and better computer solutions to their business challenges, especially where systems from different manufacturers have to be connected.

The reality is somewhat different. A prerequisite for the effective interconnection of equipment from different suppliers is widely accepted rules or standards for interconnection, yet large companies – which by virtue of geographic dispersion and organisational complexity have inevitably taken the lead in computer networking – argue that there is a lack of satisfactory products and services to meet their networking needs.

The US-based consultants, The Yankee Group, report that: "Large users complain about the lack of standards, too many de facto standards, lack of standards that perform, confusion about whether to adopt de facto and de jure standards as well as issues in interfacing multiple vendors' equipment."

The customer may be king but his choices are those of a beggar. The fact is that in standards, as in many other areas of data processing, computer suppliers too often treat their customers' interests with a cynicism close to contempt.

The "war" between the Open Software Foundation (OSF) and Unix International (UI) over the establishment of industry standard operating software (Unix) for small and medium-sized computers, the fastest growing area of the computer marketplace, is a case in point.

Software version of World Cup

The causes of the Unix war are well known and are already being picked over in a hundred MBA theses. Frightened that any single company or group of companies might seize commercial advantage by establishing a de facto Unix standard, the world's computer companies picked sides under their respective captains, International Business Machines and AT&T, to play a software World Cup.

Both sides claimed they had computer users' interests at heart – protecting investment, freedom of choice and so on – while ignoring the fact that their customers, concerned only to have their data processed efficiently, were uninterested in manufacturers' private feuds. The Unix war simply served to promote confusion and uncertainty. Last week, the OSF and UI agreed to participate in a $1.5m study designed to determine the real needs of computer users – information on which both sides had up to now claimed a monopoly. In the event, the study may simply act as a face-saving device, covering the combatants' embarrassment as they work towards a single, standard Unix.

The irritation many of their customers feel with all this expensive shilly-shallying, however, may find expression in an acceleration of the already noticeable trend towards facilities management – paying somebody else to do your data processing – and outsourcing – using contract computer staff to build new systems.

The argument runs that there is no justification for tying up capital in expensive data processing equipment and paying staff to operate it when the real function of the business is something quite different. Better by far to let a professional organisation handle the bread and butter side of data processing for a price, freeing a company's own staff to work on strategic systems.

It presages a broad shift in the structure of the data processing industry. Manufacturers may find themselves facing a new kind of customer with a tougher business approach than their traditional users – and, many would argue, not a moment too soon.

Alan Cane

THE MONDAY INTERVIEW

Teacher of adventurous leadership

Michael Skapinker talks to Juan Rada, head of the International Management Institute

Juan Rada, director general of the International Management Institute in Geneva, is widely regarded as one of Europe's most innovative management educators.

While students at other schools spend their time on a case study of a US airline or electronics company, a class at IMI is just as likely to be listening to a talk from a neuro-surgeon about theories on the workings of the human brain.

At the beginning of next year, Mr Rada moves across the lake to Lausanne to take charge of a newly formed institute which, its founders hope, will be Europe's answer to the Harvard Business School.

The International Institute for Management Development (IMD) is the fruit of a merger between IMI and Imede, a rival school based in Lausanne. Many of Imede's staff members were bitterly opposed to Mr Rada's appointment as director general of the merged school. They thought that Mr Derek Abell, their own dean, would have been a superior choice.

Mr Abell would probably have been a better administrator. Mr Rada, who is just 38, is, however, the more adventurous management thinker.

A small, intense man, the Chilean-born Mr Rada believes that business schools face a serious problem: much of what they teach will be irrelevant five or ten years from now. The times we live in are too unpredictable for schools to know what skills managers will require in the future.

"Schools are places where the truth is preached," he says. In the field of management, however, "there is no truth. There are different experiences. There are different ways of doing things. Therefore the school must recognise that ignorance has a legitimate place."

Business schools need to provide the setting for managers to learn from the faculty and from one another, rather than teaching a set of disciplines. If companies want their managers to acquire a specific skill, such as how to understand company accounts, they would "be better off buying a video cassette," Mr Rada says.

He is happy to make one prediction about a skill that the managers of the future will need and that is the ability to manage people. "Traditionally, managers have spent 40 to 60 per cent of their time managing people. In future, we're going to spend 90 per cent," he says. "Our labour forces are changing. If we don't change, it's not that our people will quit. It's that we won't be able to hire the people we need."

One of the things business schools should be doing, he says, is encouraging managers to think about the social and political context in which they operate. Managers have to become more adept at anticipating trends, rather than simply reacting to them.

Mr Rada believes that European managers do often have a keener appreciation of the political environment in which they operate than their American counterparts.

"I think European managers are far more political in their behaviour. Not necessarily party political, but aware of political developments. Europe is a much more ideological culture. National elections have a bigger impact on industry than they would in the United States. I think the ideological differences have diminished in Europe, but, whether in France or the UK, there are much stronger ideological debates than there are in the United States," he says.

PERSONAL FILE

1951 Born Punta Arenas, Chile
1970 Student of economics and sociology at Catholic University of Chile
1973 Left Chile after overthrow of Allende
1986 Director general of the International Management Institute, Geneva
1988 Director general-designate of the International Institute for Management Development, Lausanne

Nevertheless, Mr Rada worries that European industry will not react quickly enough to concerns about the natural environment. "We are living through a great period of transition where industry is realising for the first time that nature is also theirs – that they cannot allow the Greens to claim exclusive ownership of the trees and the lakes.

"What industry faces is the challenge of developing a system which is in tune with nature. Instead of reacting to regulations on waste treatment, industry has to develop processes that do not produce waste.

"I can see regulations being introduced making companies responsible for recycling the products they sell. I would not be surprised if regulations came in requiring refrigerator producers to recycle refrigerators. So if I have a refrigerator, and I want to dump it, I call the local agent and he has to come to collect it."

If companies fail to do so, he says, the price they pay could be high. In the 1960s and 1970s, industry did not appreciate the force behind the protest movements of the time. As a result, it lost its respectability in the eyes of many young people.

"I think managers tend to forget what happened in the 1970s. Today, profits are good and Margaret Thatcher is in power. But societies are not static. The real issue is whether industry will react fast enough, or whether it will fail to learn the lessons of the past and wait until the pressures on it become unbearable."

One of the difficulties in trying to understand the political context is that "it is sometimes so close to us that we don't see it." Much of the talk in Europe is about two issues: the single European market and perestroika. But few managers, Rada says, seem aware of how dependent the first is upon the success of the second.

"I think 1992 will be far more conditioned by what happens between East and West than what happens within the EEC," he says. If perestroika fails, "I think that Europe will close ranks with the United States. And although I don't think the pressure for a unified Europe will go away, it will be weakened.

"If, on the other hand, perestroika succeeds we will have a tremendous change in the nature of international competition. We will have the opening up of eastern Europe and, at least in some small areas, they will become strong competitors. Not in the short term, it is true. In the short term, the competition will be to get into their markets."

His interest in management was partly inspired by his year on an exchange programme to the US in 1968, when he lived with the family of the chairman of International Multifoods in Minneapolis.

The importance of industry's political backdrop is something he has understood since his days as a student leader at the Catholic University of Chile in the early 1970s. He was one of a group of Christian Democrats who broke away to become supporters of the left-wing government of Salvador Allende.

When the Allende government was toppled in the coup d'état of 1973, Mr Rada took refuge in the Venezuelan embassy in Santiago. He spent three months there until the Chilean cardinal managed to negotiate his safe passage out of the country.

Many of his colleagues were arrested. Knowing he was safe, they told interrogators that he was responsible for many more activities than he was. The Rada dossier became large and he was not permitted to visit Chile until 1983.

"I began to discover in 1980 or so. People began to tell me what they had said to the police when they were being interrogated. Under torture, you had to give the police a credible story. This is why so many of the files in a police state are so inaccurate."

After leaving Chile, Mr Rada went to Paris and then England, where he began a doctorate at London University's Institute of Education. His thesis was on the relationship between education and production. He joined IMI in 1980 and became its director general in 1986.

He makes no apology for his support of the Allende government. "It's difficult for Europeans to understand, but I don't think it's difficult for Latin Americans. There were all the problems of social justice, the great disparities in the system, here, you come from wealthy families. You have to understand what the context was."

He has, however, drawn clear lessons from the Allende experience. "The Latin American scene could be divided into those who think economic development is based on distributing wealth and that wealth creation will take care of itself, and another group which thinks that all you have to do is create wealth and distribution will take care of itself. One part of the Allende coalition represented the extreme of distribute, socialise, and wealth creation will take care of itself.

"It's clear today that market forces are an allocator of resources, that you cannot tamper with them, that the process of wealth creation is a highly complex process that one cannot tinker with."

A second lesson is that for political change to succeed it needs broad-based support.

"I think my generation will be extremely prudent politically, not because of any specific ideological outlook, but simply because we saw many of our friends die. And therefore we've learned that social movements and institutional systems are much more delicate than people might think."

Tony Andrews

'Schools must recognise that ignorance has a place'

The death penalty and extradition

JUSTINIAN

When the death penalty for murder was abolished in the UK 20 years ago there remained only one outstanding practical problem. Would a Home Secretary authorise the return of a fugitive criminal to a country where the extraditable crime carried the death penalty? The politics of criminal justice, so vibrantly kept alive in the incessant debates in the House of Commons on capital punishment – 19 since 1957, six of them since 1979 – became a sharp reality last week with the ruling from the European Court at Strasbourg.

The Attorney-General for the Commonwealth of Virginia was instantly affronted by the decision that the extradition to the United States of Mr Jens Soering for the murder of the parents of his mentally-deranged girl-friend would violate the prohibition under Article 3 of the European Convention on Human Rights against inhuman treatment or punishment. The grounds of the court's unanimous ruling was that the inevitable, protracted delay under the American legal system of six to eight years in carrying out the execution of the death sentence would be inhuman. The sense of outrage from the American prosecutor, echoed by some Members of Parliament who strongly favour restoration of the death penalty in this country, might be better directed at the Anglo-American arrangements for returning fugitive criminals rather than at the unanimous judgment – an infrequent occurance – of 18 European judges. (They included four judges nurtured in the Anglo-Saxon legal system; one of them, Sir Vincent Evans, was the former legal adviser to the Foreign and Commonwealth Office.)

The accepted wisdom of extradition treaties has been that if the offence for which extradition is requested carries the death penalty under the law of the requesting state but not that of the requested state, the latter may refuse to return the fugitive criminal unless an assurance is given, which the requested state considers is sufficient, that the death penalty will not be carried out.

Treaty provisions of that kind are not a recent innovation. In the revision of the law of extradition in the UK the Home Secretary was given discretion in the Criminal Justice Act 1988 not to return a person accused or convicted of an extraditable crime which could be punished by death in the requesting state.

That statutory provision confirmed an Article in the current Anglo-US Treaty of Extradition of 1976. But the Home Secretary may, if he wishes, seek an assurance from the relevant authorities in the US that if returned and convicted of a capital offence the fugitive criminal will not undergo the death penalty. The invariable practice at the Home Office has been for such an assurance to be sought before a decision to extradite is finally made by the Home Secretary.

When the US authorities asked for the extradition of Mr Soering, a German national who had been a student at the University of Virginia at the time of the killings, there followed a similar request from the West German government under whose law a national may be tried for a serious criminal offence wherever it is committed. West Germany does not have capital punishment. The US request – being the first in time – was provisionally acceded to.

When the prosecutor in Virginia was subsequently asked to give an assurance that the death penalty would not be carried out on Mr Soering, if he was convicted and sentenced to death, the response would appear to have been a good deal less than satisfactory.

The Attorney-General of Virginia stated formally that the British Government's attitude to the imposition of the death penalty on Mr Soering would be fully represented to the trial court at the time of sentence.

The death penalty is not a mandatory sentence in the US but if imposed by the court is subject to executive clemency.

No reference was made by the Attorney-General to any decision that might have to be made by the Governor of Virginia, who can commute any death sentence.

No doubt Parliament did not intend that the Home Secretary should invariably decline to return a person on a murder charge simply because the accused might suffer the death penalty. If it had, Parliament would have put an absolute prohibition on a return unless a guarantee against the exaction of the supreme penalty was forthcoming from the requesting state.

Some countries make it a condition of any extradition that the requesting state shall not pronounce the death sentence on an accused person but insist on the alternative penalty of life imprisonment or some lesser penalty. If the death sentence has already been pronounced on a convicted fugitive from justice, the demand is for a commutation of the penalty.

It is difficult to understand how the facility for making representations to the trial court in Virginia could qualify as any kind of satisfactory assurance that the death penalty on Mr Soering would not be executed.

Fortunately for the politics of the Soering case, justice can be dispensed by surrendering the accused young man to West German authorities. For those who continue to express outrage at the European Court's ruling, it is worth recalling that as long ago as 1866, the Home Secretary of the day, Sir George Grey, told the Capital Punishment Commission: "I do not think that any sentence can be carried into effect with any good result very long after conviction. Sentences ought to be executed soon in order to produce the effect which they are intended to produce." In the last days of hanging in Britain the interval between sentence and execution never exceeded 90 days. If the appellate process was protracted beyond 90 days, a reprieve was automatically granted.

On a broader issue of principle, the Soering case provides yet again a lesson that civil liberties are nowadays frequently preserved in Strasbourg whereas they go unprotected at Westminster and Whitehall, or in the Strand.